

THE BORROWERS' BULLETIN.

purity of title. It may be an insurance against litigation.

Federal land banks must exercise care in the kind of security they take for several reasons. The mortgages taken by these banks are made the security for bond issues and if one mortgage is faulty, the entire batch of mortgages under this system comes under suspicion. The Federal land banks should be in the position of accepting faulty mortgages and not buy farm-loan bonds which would not get money for the faulty mortgages.

There is a reason why Federal land banks call for first-class abstracts of title. The Federal land bank officials do not know the borrower personally. In the old days when a man borrowed from his neighbor or from a local money lender he dealt with a man who knew him and had personal knowledge of his ownership of the land to be mortgaged. Under a great system, such as the Federal Farm Loan System is, the personal element is removed and every transaction is placed upon a business basis. Every borrower is required to furnish an abstract of title, and every borrower is compelled to meet the same conditions.

There is a further reason for caution and that is because the Federal land bank mortgages run for long periods. A mortgage given for 36 years may outlive the present owner of the land. Every transfer in ownership means additional opportunities for litigation. A complete elimination of all doubt as to title at the time of making these mortgages reduces the chance of litigation in the future.

Every borrower furnishes abstracts of title the same as the employing red tape in conducting their affairs for the absolute safety and security of the people doing it for the benefit of the borrowers, because it is the Federal Farm Bank of the United States who will be repaid the Federal Farm Loan money on the secure basis which has been inaugurated.

In order to ascertain of the character of the title and jurisdiction the Baltimore Federal Land Bank has asked its borrowers to provide abstracts running back 100 years wherever possible. Of course, the further back these abstracts go, the less likelihood there is of trouble in the future. A title based upon an investigation over 100 years is more certain than one based upon an investigation of over 30 years, and while all States have certain statutes providing for the acquirement of title by adverse possession, at the same time it will be found that in none of these does such a title run against parties who are protected by the disability of infancy or insanity. Therefore, the Baltimore Federal Land Bank positively insists that no title be presented for a period of less than 50 years which takes care of a minor interest upon a minor interest.

A title may be carried back for 25 or even 40 years, which would be twice the period of adverse possession in some of the States and four times that in others, and may show by the abstract an unbroken chain of title, and yet the bank's lien may be based upon absolutely nothing. A case in point actually presented by one of the abstracts received by the Baltimore Federal Land Bank is as follows:

The chain of title ran back successively and unbrokenly until 1879 and from then

A FARMERS' LOAN SYSTEM

This is the first number of the BORROWERS' BULLETIN, which will be sent to farmers all over the United States who have borrowed money under the Federal farm loan act. It will contain articles and items of news of interest to farmers as borrowers. All national farm loan associations expect to grow in numbers and strength, and the BORROWERS' BULLETIN will contain a good deal of reading matter for the neighbors who have not yet joined, but who are studying the subject, and may come into the association hereafter. It will be a bulletin which we hope will be worth passing on to your friends.

A large proportion of our borrowers have used their Federal farm loans to pay off old debts, but others have borrowed so as to get funds to use in farming. Borrowing money for use in farming may be made a sort of fine art. It should be studied by all of us as such. If a thousand dollars can be hired to work for us for \$50 a year, and can be made to produce for us a return of \$100 or \$200, it pays to hire the money. But there are too many of us who have not worked out the best plan for setting the money at work. It is hoped that the BORROWERS' BULLETIN may be of assistance in developing the borrowing business on a more profitable plane.

The sensible farmer does not borrow money unless he needs it. In New York there is a fund of several millions of dollars from which farmers are invited to borrow on their notes at a low rate of interest, in order that they may be able to grow crops for our own food and for our allies in the war. Comparatively few loans have been applied for. This must mean that the farmers have not been able to see how the use of this money would bring in profits.

Borrowing for profit should be our watchword. A Federal farm loan mortgage is an easy mortgage to handle, but a farm is better without a mortgage unless the mortgage money can be so used as to make life on that farm more prosperous and profitable. Making a mortgage profitable is an evidence of financial ability. Thousands of us who have always looked on a mortgage as a badge of poverty may learn to make it an evidence of prosperity. But the subject should be studied. The better manager a farmer is, the more he will study it. Those who have not become borrowers have the greatest interest in the matter, but many borrowers will soon find themselves in position to make additional or increased loans.

Persons who receive this BULLETIN will please regard it as a personal letter from the Federal Farm Loan Board. They are invited to reply to it if they desire to do so.

for the next 10 or 15 years there occurred a number of missing links. Finally it got

IRRIGATION LOANS.

Ruling applied to holders of irrigation and homestead lands.

The Federal Farm Loan Board has made the following ruling as to the application of the Federal farm-loan act to holders of land under irrigation or homestead:

"In the matter of loans on lands under irrigation projects it is declared to be the sense of the board that where such lands are under so-called Government projects and a specific lien is reserved in the Government granting title loans can not be legally made.

"Where the lands are in irrigation districts and the water charge is collected upon a fixed annual basis as other special assessments the board holds that loans may be legally made, but urges that the amount and frequency of such payments be taken into consideration in determining the amount of the loan.

"In the matter of loans upon homesteaders' land-office receipts the board holds that where the homesteader has lived out the required period and makes proof by virtue of such residence his land-office receipt may be accepted as evidence of title for the purpose of the loan. Where the homesteader commutes at the end of 14 months and pays for his land the board will insist upon patent."

At this time a bill is pending in Congress which will, if it passes, enable the Federal land banks to loan more freely on irrigation-project lands.

"ACTUAL FARMER" DEFINED.

Only those who assume full responsibility of farm may borrow.

The Federal Farm Loan Board has ruled that only actual farmers may borrow from the Federal land banks. It has interpreted the term "actual farmer" to mean:

One who conducts the farm and directs its entire operation, cultivating the same with his own hands or by means of hired labor. An owner, to borrow under the Federal farm-loan act, must be responsible in every way—financially and otherwise—for the cultivation of his land.

back to the grantor who purported to convey a fee simple estate, but upon going back a step further it was found that she acquired actually only a life estate and of course could convey no more than she had. This was not too long ago for this party to have died only recently and left a grandson, now an infant, or we may say a boy of 5 years, who, 15 or 20 years from now could have asserted his title and recovered the property. Title by adverse possession could not have begun to run until the death of the life tenant and then would not have begun to run against the party entitled to the estate until such party had reached the age of 21 years.

Several similar instances have come to the attention of the Federal land banks, these instances all tending to justify the care being exercised in the examination of titles.

FARM LOAN BOARD SHOWS FALLACIES OF CHARGES MADE BY ENEMIES OF THE FARM LOAN ACT

As soon as the name of a farmer appears in print or through neighborhood rumor as a man who is thinking of borrowing under the Federal farm loan act he is pretty likely to receive letters and circulars attacking the act intended to persuade him to borrow through some other loaning agency. These attacks are not made by friends of the farmer, but by people who wish to destroy the benefits of the farm loan act to the farmer. They are not unselfish offers of advice, but selfish and often unfair statements made by people whose friendship for the farmer in the past has consisted in denying him loans on terms as favorable as those now made by the Federal land banks. In years gone by the farmer, in most parts of the country, could seldom get a loan at a reasonable rate of interest and scarcely ever on easy terms of payment. Now, in any part of the United States where he will join or organize a national farm-loan association, he can borrow at 5 per cent interest and on an amortization plan which enables him to pay off in small installments running for as long a period as 40 years. Most farmers are borrowing on 36 years' time with the privilege of paying off in whole or in part after five years.

Under the Federal Farm Loan System such a loan will be paid off in 36 years by the payment of 5 per cent interest yearly and 1 per cent to apply on the loan, or 6 per cent in all. Enemies of this system resort to unfair attacks on the law because they do not wish the farmers to be able to carry a loan of \$1,000 and not only pay the interest but gradually pay off the loan by paying 6 per cent annually.

On May 9, 1917, the Federal Farm Loan Board issued charters to the two first national farm loan associations in Montana, the Tobacco Valley National Farm Loan Association and the Deer Park National Farm Loan Association. The first association was composed of farmers who, in nearly all cases, had been paying on their loans 12 per cent interest annually. The farmers of the Deer Park Association had been paying 8 per cent. The people who had been making these 12 per cent and 8 per cent loans are, no doubt, convinced that the Federal farm loan act is a very bad thing for the farmers. The farmers themselves probably look upon the matter in a different light.

One silly attack made upon the law is that the mortgages and notes will be payable in gold coin. This is false as anyone might know who will read the notes and mortgages which the farmers sign. They are everywhere made payable "in lawful money of the United States."

A circular has been made out of an article published in a Kansas paper which contains 21 attacks on the law. The circular begins: "And you say you would like to get a loan under this new farm-loan law? And that you are in something of a hurry for the money? Well, just be patient, for there are some little details to be attended to, namely and to wit:

"1. Go out and see your neighbors and find nine other farmers who also want to borrow money and are ready to say just how much they need and what they want the money for."

Farmers who are organizing under this association usually come together in groups of from 15 to 50. Attacks on this law constantly ring the changes on this task of finding "nine other men." A national farm loan association is a corporation and must have organizers. Borrowers under the Federal farm loan act are under no greater burdens in this respect than borrowers from building and loan associations in cities. In both cases they must either join an association already formed or one which is in process of forming. After the national farm loan associations are formed, all a farmer will have to do will be to join one and make his loan. At the present rate the country will soon be covered with these associations and the 12 per cent people will have no need to worry any longer about the trouble of the farmer in getting the mystic number of "nine other men."

"2. These nine neighbors and yourself must agree to borrow a total of \$20,000. Remember that unless it is that much none of you can borrow a cent."

It is perfectly true that original stockholders, 10 or more, must apply for loans to a total of \$20,000, or they can not "borrow a cent." In view of the fact that the farm loan associations are borrowing on the average from \$35,000 to \$200,000 each, this does not bother the farmers as much as it does the 8 per cent and 12 per cent gentlemen.

"3. Call a meeting of these 10 farmers who need money, organize yourselves into a 'national farm loan association,' and elect officers."

The writer of this criticism evidently wishes to make it appear that every borrower must "call a meeting." As a matter of fact, it is no more difficult to get farmers together to form a national farm loan association than to form a literary society, a farmers' club, or any other organization, and when they do meet they do not find it very much of a burden to "elect officers." The election of officers is a part of the business of any organization.

"4. You then appoint a committee of three to appraise the 10 farms."

Again it is implied here that each borrower has to appoint a committee of three. The fact is that the meeting itself appoints a loan committee of three for the purpose of appraising the 10 or more farms. The Federal farm loan system is the only one in which borrowers themselves have anything to do with the appraisement of their farms. In the Federal farm loan system the borrowers have something to say for the first time. Formerly the lenders had everything to say. That may account for the 12 per cent and 8 per cent rates which have prevailed in many parts of the country, and also for the short-time loans instead of long-time loans.

"5. The committee reports its appraisement, and the various blanks are filled in and sent to the farm loan bank."

Naturally the loan committee makes its reports, and the blanks to be filled in are furnished by the Federal land bank, so as to make this report as easy as possible for the committee. It would be pretty

"DON'TS" FOR BORROWERS

Don't try to get money enough from the bank to pay the full contract purchase price of land you are buying.

Don't apply for more money than you need; you may want to borrow on a second mortgage some day. If your mortgage is small you may increase the loan thereafter.

Don't think your appraiser is a cold-blooded Shylock. He isn't. He is working in your interest as well as the interest of the bank.

Don't spend borrowed money for an automobile when the implement shed is empty.

Don't ask for \$1,000, expecting to be cut down to \$700. The banks look with more favor on the borrower whose application is approved in full by the appraiser.

Don't think the first loan will end your business with the bank. Some time in the future if you need more money, and a reappraisement of your property may justify an increase in the future when you will need it.

Don't think the Federal land banks were created to make money from the farmer. They do business for you on a cost basis.

Don't ask for more in the way of a loan than could be obtained from any careful lender.

Don't inflate your values on land or buildings in order to obtain large loans. You will be disappointed after the appraisement is made.

Don't fail to answer every question asked in the application if you desire the banks to give you quick service.

Don't suppress the facts; state the answer truthfully.

Don't fail to use the money for the purpose specified in the application.

Don't offer the poorest of your possessions for the loan wanted, and keep your best land unencumbered.

hard for them if they had no blanks to fill out. Please note that this critic on the Federal farm-loan act does not even know the name of the bank, although he knows all about the law apparently. The correct name of the bank is "the Federal land bank" and not the "farm loan bank."

"6. Remember that if your farm is appraised at \$4,000, you can borrow \$2,000, and if the insured improvements are worth \$1,500, you can only borrow \$300 on improvements."

This statement is quite correct. Incidentally it may be mentioned that there are many parts of the country in which the borrowers have never been able to get loans on a 50 per cent basis from the loan companies.

"7. No; this appraisement doesn't settle it. In due course of time a Federal appraiser will come out and make a second appraisement."

Of course, this appraisement by the farmers' loan committee does not "settle it." There must be an outside appraiser in order to be sure that the appraisements are fair. In this system the borrowers very largely control, and the money which is loaned to them is obtained from investors by the sale of farm loan bonds. The investors would not buy the bonds

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This BULLETIN is issued for free distribution to all borrowers or prospective borrowers under the Federal farm loan act. It contains some observations based upon the early experiences of the Federal land banks which may be helpful to those who borrow later. It is intended to impress upon the borrower the necessity for uniformity and promptness of action, and suggests ways to eliminate needless delays in the making of loans. Additional copies may be had by addressing the Federal Farm Loan Bureau, Treasury Department, Washington, D. C.

SAFETY FIRST.

An abstract is a certificate of ownership to your land. You can not borrow money on your land unless your ownership is indisputable and unless your abstract shows this to be the case. You would not lend money to your neighbor, taking his land as security, if you felt doubt as to his ownership. Neither will the Federal land banks.

If you have not had an abstract of title to your land it is not the fault of the Federal land bank. It is as absurd to buy a farm without an abstract of title as to pay a ticket agent for a railroad trip and fail to get a ticket. You and the ticket agent may know that you paid the fare all right, but the conductor will also want to know. The ticket is proof that you paid, just as the abstract of title is proof that you own your land.

Remember that most of these Federal land bank mortgages will run for 36 years and you may not live until your debt is paid off. The chances are that the debt may some time be assumed by another, about whom the Federal land bank now knows nothing. The Federal land bank mortgage is no little transaction between friends but must be an impersonal business contract, with everybody standing on the same basis. There are no favorites. There have been established certain safe business standards and every one must meet these standards.

Bear in mind that the success of the Federal Farm Loan System depends upon the selling of farm loan bonds. Bonds issued against lands of questionable ownership will not sell. The only way you can get 5 per cent money is to make the security safe. It is therefore to your interest to require that all borrowers under this act have clear titles. If the Federal land bank makes a loan to you, having a perfect title and at the same time lends to your neighbor with an imperfect title, it is penalizing you for your neighbor's shortcomings.

The money you borrow is money which your Federal land bank has borrowed from investors by the sale of bonds for which your combined mortgages are the security. It stands to reason that if there is a faulty title in the entire group the character of all the titles is questioned. The rate of interest at which investors will purchase these bonds depends partially upon the degree of risk. With all risk removed the bond rate can be kept at a low figure and the rate of interest to the farmers will be correspondingly low.

The Federal land bank system must be safe. Precaution means safety. We must start right and keep right.

TEXAS BORROWERS
AT DISADVANTAGE

Homestead law in Texas limits operation of the farm loan act inasmuch as it is illegal to mortgage a homestead but loans can be made to the extent of the value of the improvements.

"The farmers in Texas are just beginning to realize the handicap and disadvantage resulting to them on account of the limitations which the constitution of Texas imposes in the matter of denying them the privilege of mortgaging their homesteads of 200 acres or less to borrow funds from the Federal land bank at 5 per cent on long and easy terms of repayment," declared Judge M. H. Gossett, president of the Federal Land Bank of Houston.

"The Federal land bank can only loan on a homestead of 200 acres or less for the purpose of taking up vendor's lien notes or for the purchase of mechanics' and material-mens' liens already fixed as prescribed by statute," Judge Gossett continued.

"Many farmers, who own homes of 200 acres or less, on which they owe nothing, are applying through membership in farm loan associations, by letter, and by personal calls at the bank to borrow on their homesteads for the several purposes authorized by the Federal farm loan act, to wit, to buy live stock, fertilizer, farm implements, additional teams, and material to build homes and make other improvements. Such purposes are expressly authorized under the Federal farm loan act, and many Texas farmers are disappointed when they find they can not utilize their security, which sometimes is three to four times in excess of the sums they desire to borrow, for the purposes authorized by the act, when such expenditure would add greatly to the value of their homes and increase the production and income of their farms in a much greater ratio than the 5 per cent which they would be required to pay for money borrowed for these purposes.

"Individual applications are coming up from members of farm-loan associations in which a man owns a home, possibly worth \$15,000 or \$20,000, and owes only a note of \$2,000, and he asks the privilege of extending the note upon which he is paying 10 per cent interest, and also to borrow two or three thousand dollars to improve his farm, buy live stock and implements, and in all such instances such farmers have to be advised that this bank can only take up vendor's lien notes and can not loan him a dollar for other purposes, no matter how badly he needs the additional funds in order to make his home more comfortable and profitable.

"In other instances farmers owning, free of debt, less valuable homes apply to borrow \$1,000 or \$2,000 to clear and grub their lands and for improvements, such as teams, live stock, etc., and are greatly disappointed when they learn that the money can not be advanced to them on the security of their homes. Farmers would prefer to borrow the funds necessary for putting more land in cultivation, making their own improvements, and expending the money under their own direction with hired labor than to be forced to let the contract for such

DECISIONS BY FARM LOAN BOARD

The interest rate of loans to farmers has been fixed at 5 per cent in all parts of the United States, and the interest rate which farm-loan bonds will bear has been fixed at 4½ per cent. Only one-half of 1 per cent is thus allowed for paying the expenses of the Federal land banks.

It has been determined that the location of the land to be mortgaged shall decide the membership of the borrower, rather than the residence of the borrower. That is to say, if the borrower lives in one State or district and his land is located in another State or district, he must become a member of a farm-loan association organized where his land is located if he desires to borrow.

The amount of the bond which the secretary-treasurer of a national farm-loan association is required to give has been fixed on a sliding scale as follows: For associations with loans under \$50,000, a bond of \$3,500. For each additional \$10,000 or fraction thereof of loans, add \$600 to the bond up to a maximum of \$10,000, which will be the largest bond required of any secretary-treasurer.

The Farm Loan Board has ruled that the regular loan committee of a national farm-loan association shall be required to make appraisals—except where substitutes are provided for in the law. It is the conclusion of the board that there can be, under the law, but one regular loan committee for the association.

In answer to an inquiry whether or not an association has the right to appoint an attorney to draw up abstracts and pay him out of its official funds, the Farm Loan Board has ruled that each borrower is required to furnish his own abstract and the applicant must stand the expense of preparing this abstract. An association has no right to employ any of its corporate funds to pay for the preparation of abstracts for its members. This must be an individual charge, and if the members of an association club together to have this work jointly done, they must do it as individuals and not as an association. Each borrower is free to make his own choice in the selection of an attorney or abstractor, subject to the approval of the Federal land bank of his district.

When a husband and wife execute a joint mortgage, one should give the other power of attorney to be his or her representative in the farm-loan association. Where husband and wife sign the mortgage in this way, the one in whose name the title stands should be the one designated to join the association.

work, and then take chances of having this bank take up and extend the liens which are fixed for improvements under the mechanics' lien law, the work being done by other people and the funds provided from other sources, he not being able to borrow the money direct from this bank to do the work.

"The literature sent out from Washington through bulletins and the press is misleading as applied to Texas, because of our constitutional restrictions, which prohibit the farmer from executing a valid mortgage on his homestead and securing the money for the various purposes authorized under the Federal farm-loan act, which privilege is enjoyed by farmers throughout other States."

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Farm Loan Board Shows Fallacies.

(Continued from page 3.)

unless the appraisements were made carefully, and if the investors refused to buy the bonds the banks would have no money to loan to the farmers. The farmers themselves are interested in having the appraisements correct, therefore the Government sends an appraiser out to "settle it." What is there wrong about that? All other loan companies send out appraisers and usually make the farmers pay them. The Federal farm loan appraisers are paid by the Federal land banks.

"8. Perhaps after driving around and viewing the 10 farms, this Federal appraiser finds that one of the farms was appraised too high."

Quite frequently the appraiser finds that more than one farm is appraised too high. In such cases you may be sure he will not allow the conservative borrowers to get the worst of it by having some of their members borrow more than the value of their farms justifies.

"9. That being the case, under the law, the committee must meet again and make a new appraisement, bringing the amount down to the limit set by the Federal appraiser."

"That being the case," the loan committee does not have to meet on the matter at all. The appraiser sends in his report approving a loan of the size which he thinks is safe and the loan is made for that amount if it is acceptable to the farmer. If it is not acceptable to him, he does exactly what he does in any other case where he can not borrow the amount he thinks he needs. He either takes the smaller amount or goes to somebody else, if he can find him, who will give him what he thinks he ought to have.

"10. Perhaps just at this time one of the 10 men dies. This is hard luck all around. For nine men can not form one of these associations, and so you must go and find another man who wants to get a loan, and the whole process must be repeated."

This is a deliberate perversion of the truth. In all the thousands of associations which have been formed there are few records of any which has been made with just 10 men. If one of the borrowers dies pending the organization there are always enough left to go on with the organization. It is, of course, "hard luck" if one of the neighbors happens to die, but it does not stop the association. This criticism is a deliberate falsehood, too, in saying that even if there were only 10 "the whole process must be repeated." There would be still 9 left and 1 additional member would fill up the quota. In case the membership falls below 10 after the association is organized, it does not dissolve the association. All that is required is to have a sufficient number and a sufficient amount of loans when the association is organized. After that the death of a member does not affect the validity of an association.

"11. But wait a minute. The Federal land bank sends word that their attorneys find a defect in the title to Bill Jones's land. The title must be corrected through the court or else you must find another man to take Bill Jones's place. For you can not get your loan unless all 10 of the titles are perfect."

This is another perversion of the truth. Titles have to be good, of course, in this system as in any other loan system, and if enough of the titles are proven to be

bad so that an association can not be formed without additional members, there must be additional members, but in the thousands of associations already formed very little such trouble as this has been encountered.

"12. But be patient. In a few more weeks the matter is straightened out and your loan of \$3,000 on your \$6,000 farm, and your loan of \$400 on your \$2,000 improvements—this is the limit you can get—are approved. You are to get a loan of \$3,400."

This section is intended to mislead the farmer into believing that it will take several weeks for him to get his loan. As a matter of fact the banks expect that, under normal conditions, the delay will be no greater in this system than in any other loan system. When the land banks were organized the farmers had already formed associations calling for nearly \$200,000,000 in the United States. The appraisement and examination of this great mass of loans was, of course, a matter of considerable time, but the farmers who were thus enabled to get loans at 5 per cent, and most of them on 36 years' time in the place of their old loans at a higher rate of interest, and running only for the period fixed by the lender, were, in most cases, willing to wait.

"13. But you understand you don't get the \$3,400 in cash. No; you are required to subscribe 5 per cent of it for stock in the farm bank. So you only get in cash \$3,230."

This criticism, if it means anything, means that it costs the farmer more under this system to get his loan than under the old system.

Under the old system many farmers paid from 1 to 5 per cent a year as commissions and fees to the loan agents. Under this system he invests 5 per cent of his loan in stock of his national farm-loan association; but if he wants an even \$3,400 in cash he may add this 5 per cent to his loan, if he wishes to, and have 36 years in which to pay it, and when he pays off his loan, which he may do at any time after five years, he gets back this 5 per cent, dollar for dollar. He never does get back his commissions under the old loan system.

"14. You understand that this \$170 in stock in the bank may or may not draw interest—that all depends on whether the stock earns anything.

This statement is perfectly true. The stock in the farm-loan association will receive dividends when the bank declares dividends. Under the old loan system the average borrower usually paid more than \$170 for commissions on a loan of \$3,400 and he never got it back, and, of course, he never had the slightest prospect of getting any dividends on it, so he is something ahead on the new system after all.

"15. You also understand that this \$170 in stock has a "double liability" just like other bank stock. If your neighbors fail, you may not only have to lose the \$170 but you may have to dig up \$170 more. But cheer up, the probability is that that won't happen.

This statement is made in an unfriendly spirit, but it is perfectly true. There is a double liability on the stock in the national farm-loan association just the same as there is in national bank stocks. Farmers will bear in mind that most people are not afraid to own national bank stock, notwithstanding this double liability. In this connection farmers may well figure out what is the utmost which their loans can possibly cost them. Let us suppose a man borrows \$1,000 through an association which is

Land Banks Make Loans

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titled to its benefits get them with the least possible delay. The establishment of this rural credits system means not only more profitable farming, but a life of greater comfort and prosperity for the farmer; it means destruction of the nightmare of foreclosure and loss of property for the farmer; it means security, independence, thrift and self-respect for the farmer.

"It will reattract to the farms vast numbers of our people who have been unable to engage in agriculture because it has been impossible to secure money on farm obligations. It means for all the people of the country unlimited benefits, because they will prosper in direct proportion to the prosperity and strength of the farming industry of the country.

"I am proud to be associated with you in this great piece of constructive work and assure you of my cordial cooperation in the inspiring tasks that lie ahead of us."

The completion of the first year's activities of the Federal Farm Loan Board sees approximately 1,200 farm-loan associations actually chartered, these associations representing loans of approximately \$55,000,000. It sees a general lowering of farm-interest rates out of sympathy with the low rate established under this system, so that even the farmers who do not borrow from Federal land banks are sharing the benefits. It sees a more liberal extension of credit on farm mortgage security in all parts of the United States, and especially in those parts which suffered from a shortage of capital before the enactment of the farm-loan act. It sees new farm-loan associations being chartered at the rate of 20 a day. It sees a staff of 230 Federal land-bank appraisers in the field, working early and late, passing upon the values of the land offered as security by the hundreds of waiting farm-loan associations. It sees the Federal land banks all making actual loans to the farmers just as rapidly as appraisers approve the loans and abstracts of title are provided by the borrowers and the banks can handle the business. In fact, it sees the beginning of the actual realization of the hopes expressed by the Secretary of the Treasury at the time the Federal Farm Loan Board assumed its duties.

The creation of the Federal Farm Loan System has been justified by the 1,200 farm-loan associations already chartered and the hundreds of others in the process of organization. The cooperative features of the act have been tested and proved by the enthusiasm and conservatism shown by the borrowers. The standards of safety established have been approved by investors, who have already filed applications for approximately \$30,000,000 of farm-loan bonds.

The Federal land banks should be shown that the borrower is capable of operating his farm in a businesslike manner. The unskillful farmer will not be given the same consideration as the one who shows a disposition to farm successfully.

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THE BORROWERS' BULLETIN.

LETTERS FROM APPRAISERS

Prospective borrowers should study the farm loan act with special reference as to who may borrow, and for what purposes.

See that the deed to your farm is put on record.

Determine the smallest amount you can use for definite profitable purposes.

Don't try to deceive the bank as to values. The appraiser has been employed because of his ability to determine values.

The secretary-treasurer of a local loan association should arrange a convenient schedule for the appraiser to visit the farms of his members. Then he should notify these members to be at home the day the appraiser is scheduled to visit their lands.

Owners of land near large and growing cities must not try to include value produced because of proximity to cities. They must remember that the value of the land is based upon its producing power when used for agricultural purposes. Of course, salability of the land will be taken into consideration, but it is not the determining factor.

Much of the time of appraisers would be saved if the directors of local associations would assume the responsibility of weeding out and rejecting the unsafe and undesirable loans, so that the list of lands which the appraiser must inspect will be reduced to the minimum.

If borrowers would leave with the secretary of their association a full description of the lands it would save considerable time to the appraiser.

If local farm-loan associations would always have someone who is familiar with the country thereabouts to accompany the appraiser, they would help him to get his work done more promptly.

A borrower who tries to deceive the appraiser by steering him to the best parts of the farm, and withholding complete information, is doing himself an injustice. He can hardly hope to deceive everybody connected with the making of this loan, and to attempt to do it creates prejudice, and the result is likely to be just the opposite of what the borrower expected.

Whenever the applicant makes reservations or exceptions, and the parts reserved happen to be the most valuable part of the farm, a suspicion is likely to be created in the mind of the appraiser that an effort is being made to unload on the Federal land bank.

If the farm to be appraised is a large one, the owner can assist the appraiser materially by providing a vehicle or a riding horse for him.

Bad roads, bad fences, unpainted and run-down buildings, weeds, and other evidences of shiftlessness make a bad impression and make land look less valuable than it really is.

Each borrower should know exactly how many acres he has planted in each crop, and he should be able to give this information promptly to the appraiser.

Always have the description of your property absolutely correct in your application.

When you fill in the assessed valuation be sure that it is correct.

Overvaluation always causes delay in securing a loan.

Overvaluation by the applicant has a tendency to create extra conservatism on the part of the appraiser.

Be sure to figure the actual value of your land without improvements; then figure the value of the improvements separately.

Keep your applications and all other papers clean and neat. Dirty and crumpled documents give the impression of shiftlessness.

Remember the biblical parable of the man and the talents. The man who was able to show that his talents had been put to good and productive use was intrusted with more talents. It is up to you to prove to the appraiser that if intrusted with larger responsibilities you will make profitable use of them.

Don't ask for loans larger than needed.

Don't value your land for twice the amount of the encumbrance or loan desired, if it is not really worth it. It will prejudice your application for loan both with the bank's appraiser and with the officials.

Don't try to sell the Government a farm through extravagant valuation—it is not in the land business.

Accompany your application with a plat of the land offered, showing location of land in cultivation, improvements, timber, pasture, etc. This will greatly facilitate the inspection by the appraiser.

Answer all questions in application fully. This will save to the appraiser the time and trouble of having this done.

Keep in mind that you are becoming a stockholder and part owner of the Federal land bank, and you want members that will be an asset rather than a liability.

Be square with the Federal land bank and you will get a square deal.

As a borrower you should feel that the success of the system depends upon its doing business in a strictly business way, and there should be sincere cooperation of the individual members of local associations with each other and with the officers of the Federal land bank.

The appraiser for the bank, when he comes to make appraisals, is working in your interest; it is his desire to be entirely fair, and he is entitled to all the information you can give him, both as to your land and that of other borrowers. It is your duty to be frank and open with such appraiser, and he will respect your confidence and appreciate your suggestions.

It is an excellent thing to have the gross earnings of your farm tabulated, sales of live stock and other produce recorded, and a comparative statement showing the value of live stock now and as of a year ago.

Every farmer should make a rough plat of his lands, showing the cultivated and uncultivated sections; the wet and dry and the high and low spots.

One association is to be preferred to two or more, so long as the one association does not become so large as to be unwieldy.

The farmer who knows his own farm and his own business makes the best impression on an appraiser. The man who keeps reasonably accurate records of his acreage in each crop; his crop returns;

his revenue from other sources; value of live stock and equipment, and can give this information in a businesslike way, can not help but impress an appraiser as a man who can make use of more capital.

The farm-loan association which appoints careful, conservative men on its loan committee, and whose loan committee assumes its proper obligation to reject impossible applications and reduce excessive ones, is the association which gets its loans through most promptly.

Remember that if the appraiser who visits your neighborhood finds your association made up of a bunch of live wires, keen to keep up with changing market demands, and full of the helpful spirit of cooperation, he will be more inclined to grant your loan desires because he will be better impressed with your ability to make good.

Have accurate knowledge of recent farm transactions in your neighborhood, with the exact figures as to sale prices.

Secretaries of farm loan associations should thoroughly acquaint themselves with the farm loan act, the by-laws, and the articles of association. They should make a thorough study of all of the printed instructions sent out. Then they will be in better position to advise members of their association and help everybody to avoid needless mistakes.

In outlining the territory in which your farm loan association is to operate, be specific. Definite boundary lines must be prescribed.

Remember that each borrower must sign his own application blank and each borrower must also sign the articles of association.

The correspondence between a farm loan association and the Federal land bank should always be conducted by the secretary of the local association, and this secretary should always sign his letters the same way. If his name is John H. Smith and he has signed his first letters to the bank John H. Smith, he should continue to do so and not sign them J. H. Smith.

Every question asked in your application blank is important. Therefore it should be filled out to the best of your ability.

One of the most common questions asked by borrowers is "How soon can I get the money?" That depends largely upon the promptness of the local association and the promptness with which good abstracts of title can be produced. To avoid any possibility of not being able to get the money by the time you actually need it, give yourself plenty of time in the formation of your local association and start early.

In cases where a prospective borrower holds only a contract for purchase he should be requested to furnish the secretary of the local loan association with a certified copy of the contract, as delay is often caused by the absence of this contract.

The prospective farmer who has not yet purchased a farm, but expects to do so by making use of the farm loan act, should, for his own protection, merely take an option on the land and not close the contract until after the Federal land bank appraiser has viewed it. In this way the prospective purchaser will be protected against the possibility of not

THE BORROWERS' BULLETIN.

Farm Loan Board Shows Fallacies.

(Continued from page 5.)

composed of such bad loans that everything unfavorable happens which can happen. Under these circumstances he would lose the 5 per cent invested in the stock of the farm-loan association. He would also be called upon to put up another 5 per cent on the double liability on his stock. This makes \$100. Let us suppose that all this happens at the end of five years. His loan would then cost him as follows:

Interest on \$1,000, 5 years at 5 per cent	\$250
Stock in farm-loan association	\$50
Double liability assessments	\$50
Total	\$350

Amount per year	\$70
Average rate of cost for loan—per cent	7

The farmer may well "cheer up" under this statement. The worst that could happen to him if he carried his loan five years and paid all his losses, would be that his loan cost him 7 per cent per annum. Before this could happen the land mortgaged, or some of it, would have to be put up for sale under the mortgage and sell for less than half what it was appraised at by the farmers themselves. Not likely, indeed.

"16. As to the rate of interest, there is nothing in the law to show that it is to be below 6 per cent. There is no assurance that it will be below that."

There is nothing in the law to show that the interest rate is to be below 6 per cent, but as a matter of fact the Federal Farm Loan Board has established, all over the United States, a uniform rate of 5 per cent and yet this "candid" critic keeps circulating this piece of literature for the purpose of misleading the farmers.

"17. No; you can not put a second mortgage on the farm, and you can not sell it unless the Farm Loan Board grants special permission to you to do it."

This is an unqualified falsehood. The fact of the matter is that, under this system, the second mortgage becomes a much better mortgage and will bear a lower rate of interest than it ever bore before. Many bankers have expressed the view that they would much rather have a second mortgage subject to a Federal farm loan mortgage bearing a low rate of interest and paid off in small installments than under the old system. Neither the law nor the practice of this board forbids or discourages second mortgages, and in Europe, where similar systems have been in operation for many years, the second mortgage is a much more useful thing to the farmer than it has ever been in this country. As for selling the land, a mortgagor is just as free to sell under this mortgage as any other. When he sells, the buyer may either pay off the mortgage or be permitted by the bank to assume the mortgage and take over the former owner's stock. Or he may join the association and take out a new loan.

"18. You must pay off the loan in regular installments, and can not make any payments before five years."

This statement is also false. You must pay off the loan in regular installments, beginning the first year. You can not make any payments not called for by the contract before the lapse of 5 years. After 5 years, however, you can pay it off in whole or in part on any interest date in sums of from \$25 up. Reports from

the field indicate that farmers who have been obliged to meet a 7 per cent to 12 per cent mortgage every 3 to 5 years are pretty well pleased at the prospect of having 36 years in which to pay off their loans gradually by installments, especially in view of the fact that the interest and installments combined, under a 36-year mortgage, do not amount to as much, in most cases, as they have been obliged to pay in the past for interest alone. Anyhow they have the option of paying off after 5 years. Few get around to it sooner.

"19. If you should die, your heirs must assume the obligations in 60 days or the mortgage will be foreclosed."

Yes, if you should die your heirs have 60 days in which to decide whether they will pay the mortgage off at once or continue it according to its terms. What could be fairer or more favorable than that?

"20. In case of default in payment, the mortgage will be foreclosed in 30 days."

This is an unqualified falsehood and is meant to deceive. All mortgages are taken under the laws of the States and the farmer has every protection under the Federal farm-loan mortgage that he has under any other. When it is necessary to foreclose mortgages, they are foreclosed under the laws of the States. The law does require that when there is a default of principal or interest on one of these mortgages, the national farm-loan association must be notified of the default and "may" thereupon be required, within 30 days, to make good the default either by paying up in cash, or by substituting an equal amount of farm-loan bonds issued by the land bank of the district. But the law also provides that no national farm-loan association shall be declared insolvent until the defaults in the district amount to at least \$150,000, unless the association shall have been in default for a period of 2 years, and provision is also made for carrying over due interest payments at an increased rate. It is expected, of course, that interest and amortization charges shall be promptly paid. If they are paid the principal never does fall due except in these small installments. In cases where, through crop failures or other unfavorable conditions, borrowers are unable to pay these charges, the law furnishes all the leeway that is necessary to tide borrowers over.

"21. And you say you want the loan in order to buy feed for your stock? Well, there is nothing doing. The money can not be used for that purpose, no matter how good the security you offer may be."

This is also a falsehood. The law provides that loans may be made for the following purposes, and no other:

(a) To provide for the purchase of land for agricultural uses.

(b) To provide for the purchase of equipment, fertilizers, and live stock necessary for the proper and reasonable operation of the land mortgaged, the term "equipment" to be defined by the Federal Farm Loan Board.

(c) To provide buildings and for the improvement of farm lands; the term "improvement" to be defined by the Federal Farm Loan Board.

(d) To liquidate indebtedness of the owner of the land mortgaged, existing at the time of the organization of the first national farm loan association established in or for the county in which the

Tips From Appraisers.

(Continued from page 6.)

getting his loan. The difference between buying a farm right and buying it wrong is very often the difference between success and failure.

Applicants should state definitely the purpose or purposes for which loan is required, giving the amount needed for each of such purposes.

Have one name and use it always—and make others use it.

The questions on application forms are in there to be answered. The borrower will secure quicker service by answering each question.

An officer of an association, except the secretary-treasurer, or a member of a loan committee must be qualified to act as such by being a member of the association and in the preliminary work must sign the articles of association, and submit application for loan.

The president and vice president should be elected by the directors from *their own number*.

The administrator of an estate can not as such be a member of a national farm loan association.

The guardian of a minor can not as such be a member of a national farm loan association.

If the relationship between the owner of the land and the occupant is that of employer and employee, the owner is qualified to borrow; if the relationship is that of landlord and tenant, the owner can not borrow.

All existing liens and mortgages should be reported on application.

In irrigated districts it is essential to state the nature of the water right, the amount of water and how same is conveyed; if the water right or canals be incumbered; and if so, the nature of such incumbrance and the amount thereof per acre or per inch.

Crop reports should be filled in.

An association should have but one loan committee, of three members with the substitute member provided by law, when considering applications of the regular members. The loan committee report must be unanimous. It is like a jury, and if the members could be changed about one could secure any verdict desired.

land mortgaged is situated, or indebtedness subsequently incurred for purposes mentioned in this section.

This law gives to the Farm Loan Board ample powers to define the words equipment and improvement. Ordinarily farmers do not care to mortgage their farms in order to buy feed for live stock, but if a farmer, having the live stock, needed an addition to his loan for the purpose of buying feed for them, he would have no difficulty with either the Farm Loan Board or the Federal land banks in making such provision through a portion of his loan.

These are a few of the captious and somewhat depraved criticisms of this system which are circulated by its enemies. This analysis of these criticisms is made for the purpose of showing to the farmers of the United States and the friends of the system how little honesty and candor there is in them.

THE BORROWERS' BULLETIN.

TO GET LOANS WITH LEAST DELAY

A few pointers which will help to shorten the route between the borrowers and the money—How to facilitate the work of the appraisers.

I. OVERBORROWING.

The applicant for a loan should ask for as small a loan as he can, consistently with his needs. The smaller the amount of the loan in proportion to the security offered the more ready will be those who pass upon the application to grant it. If the applicant asks for too much, not only will his loan have to be reduced, but those who examine his application for a loan will also be led, by the fact that he has asked too much, and does not seem to know it, to think that his application is inaccurate in other details. The closer scrutiny caused in this way is bound to clog the smooth progress of the application and to produce delay which the farmer may well avoid by being careful to ask for the proper amount of loan.

II. PREPARATION OF DATA.

The borrower should prepare data before he makes out his loan application or is visited by the loan committee or the land bank appraiser. Such preparation will save time for the borrower, for the loan committee, and for the appraiser. Besides, the information having been thought out in advance will be more accurate and less likely to cause examination later, which would cause delay. Such data are:

(a) Accounts and information.

(1) Borrower should have ready for the land bank appraiser information about his farm:

(a) Uninsurable improvements: Orchards, timber, small buildings, fences, drains, water supply for houses, barns, pastures.

(b) Buildings, giving dimension, capacity, insurance, age, and condition.

(c) Equipment and machinery: Plows, harrows, teams, wagons, small tools, milk cans, miscellaneous.

(d) Live stock in detail.

(2) Borrower should have ready accounts of—

(a) Produce: Quantity, selling price, value.

(b) Crops of preceding year: Acres, yield per acre, total crop, quantity sold, price, and total value.

(c) In detail, miscellaneous cash receipts of preceding year, including source.

(d) In detail, cash expenses, showing what they were for.

(e) Summary of receipts and expenditures as above.

(3) Assuming that the applicant can be trusted to be fair-minded, a preparation of this information by him in advance would materially shorten the work of everyone who must deal with his application before the loan can be granted. Such preparation in advance will tend to produce accuracy. The fewer the mistakes that appear on the application the more rapid will be its progress. If mistakes appear the examiners will mistrust other statements, though apparently correct, and their closer scrutiny will waste valuable time for the borrower.

(b) Deeds.

Failure to have ready for the appraiser when he arrives the proper deeds or references will also produce delay for the farmer, as these matters must be ascertained before the application can be acted upon.

(1) Borrower should have available the original deed to him where that is possible.

(2) In any case he should have the book and page of the record of the deed to him.

(c) Surveys and sketches.

In the same way the preparation of surveys or sketches of his farm by the borrower will save time and money for him in the examination of his title. He should furnish—

(1) Copy or blue print of the last survey, if any.

(2) Rough sketch of the premises if (1) is not furnished.

The copy, blue print, or sketch should include: An arrow indicating the direction of north; boundaries and acreage of farm; roads, brooks, etc., with names where there are any; indication of where the roads lead, and the direction and distance of towns from the farm; the names of the several abutting owners, showing where their property joins, and the length of the different boundaries so far as can easily be done.

III. ACCURACY AND LEGIBILITY.

Borrower should have all information accurate, and should fill in all blanks legally and accurately to prevent the return of his application for correction.

VOTING STRENGTH DEFINED.

Each member may have one vote only in organization meeting.

The Federal farm loan act provides that each member of an association shall have one vote for each \$5 share of stock held, but that no one member may cast more than 20 votes.

This regulation is applicable only after farm loan associations are actually chartered and have legal existence. It is not necessary to follow this rule in the preliminary organization of a farm loan association.

The Federal Farm Loan Board has ruled that, in view of the fact that during the process of preliminary organization the loans of members have not yet been approved, and the number of shares which each member will own is undetermined, each member should be limited to one vote.

TERRITORY LIMITS FIXED.

A farm loan association may not operate across State lines.

As to the territory which may be covered by a farm loan association, the Federal Farm Loan Board has ruled:

No farm loan association may operate in territory covering any part of two States. In defining the territory within which an association will do business, said territory must be entirely within the boundary of a single State.

Under certain circumstances, however, the territories of two associations may overlap so as to give borrowers a choice of associations.

LOANS ON ORCHARD LANDS

Farm Loan Board makes a decision on this feature of farm loan act.

The Federal Farm Loan Board has made the following important decision respecting loans on orchard and fruit lands:

"On orchards where the lands have no substantial value except for orchard purposes, no loans shall be made; where the lands have a basic agricultural value, such value shall be the basis for the loans; orchards shall not be regarded as permanent improvements, but shall be taken into consideration as enhancing the general value of the land and in determining its productive value."

The foregoing decision regarding the valuation of orchard lands is based upon that section of the Federal farm loan act which says that the basis for appraisement of lands shall be their producing power when used for agricultural purposes.

This decision does not mean that no extra valuation will be permitted on the lands specially adapted for intensive or specialized cultivation, but it simply means that very high values attributed to fruit lands in certain parts of the United States will not be recognized as loanable values under the farm loan act.

Inasmuch as this attitude makes for the safety and security of the entire Federal farm loan system, it contributes to the advantage of the great majority of farmers of the United States.

It must be remembered that mortgages made under the farm loan act may run from 5 to 40 years. Fruit trees are not insurable. They can not be considered a part of the loan value of the land, because they are destructible. They are subject to disease, storms, and blights. While under the care of its present owner fruit land may be made to show large profits, there is no assurance that the present owner will outlive the mortgage, and his successor may be a man who would turn fruit land into a liability rather than an asset.

The 5 per cent interest rate under the farm loan act is made possible only because of the ability of the Federal Farm Loan Board to sell farm loan bonds bearing 4½ per cent. The mortgages taken under the farm loan act constitute the security for farm loan bonds. Admission of orchard lands at high valuations would increase the element of risk and cause investors in farm loan bonds to demand higher interest. The result would be an increase of interest rates to all borrowers under this system.

In this case the Federal Farm Loan Board has based its action on the hope of extending the greatest good to the greatest number.

The life of the Federal land banks depends on their being able to sell bonds, and the investing public will not buy their bonds unless the security is good beyond any doubt.

The borrower should not place the value of his farm too high. If he does his valuation will be reduced by the appraisers.

THE usefulness of a farm loan association does not cease when its initial members get their loans. The association should be kept alive and active. It is important that new applicants should get quick service. If it comes up to the ideals intended in the Farm Loan Act, a farm loan association must always be an active influence for community improvement—a real forum for disposing of the problems of the farmer. Be enthusiastic and keep everlastingly at it!

The Borrowers' Bulletin

ISSUED BY THE FEDERAL FARM LOAN BUREAU, U. S. TREASURY DEPARTMENT

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No. 2

CHARTERS ISSUED TO 1,499 ASSOCIATIONS

Total applications of chartered associations is now over sixty-five millions—Average asked for by each association is \$44,000—Many other applications are pending—Wichita district leading.

At the close of business October 25, 1917, the Federal Farm Loan Board had granted charters to 1,499 national farm loan associations throughout the United States.

In addition to this great number of farm loan associations already chartered and ready to do business the 12 Federal land banks reported that they had under consideration applications from 1,547 additional associations. These associations are already organized and have gone through the preliminary steps required under the law.

The Federal land banks also estimated that there were in process of formation throughout the country 2,276 farm loan associations.

Adding the 1,499 associations already chartered to the 1,547 now under consideration would indicate a total of 3,046 farm loan associations which may reasonably be expected to be completed and in operation by the end of 1917, or shortly thereafter. If the 2,276 associations now in process of formation culminate it is plain that the total number of active farm loan associations in the United States will exceed 5,000. In view of the fact that there are only 3,000 counties in the United States, it is self-evident that very few borrowers are going to be deprived of the benefits of the Federal farm loan act on account of the failure of national farm loan associations to organize.

The grand total of approved loans asked for by these 1,499 farm loan associations chartered up to September 25 is \$65,107,647.45. This, it will be observed allows approximately \$44,000 of loans to the average national farm loan association. It must be borne in mind that this is the initial total applications from each association and does not take into account the many additions that are made after an association is granted its charter. It is the experience of a great many farm loan associations that as soon as they are chartered and their members receive their loans the membership and volume of loans are often doubled by reason of additions from the surrounding neighborhood. One association in Oregon

BEWARE OF SALESMEN.

Now that the farm-loan associations are formed, every catchpenny concern in the country will be out trying to make money out of them. They will come to the officers of the associations with schemes for organization, accounting and doing business generally, and will try to sell things to the associations.

These people do not operate through the Federal Farm Loan System or under its indorsement and most of the things which they have to sell, and perhaps all of them, will be utterly useless to the associations.

Certain publishing companies are trying to sell to associations systems of accounting and bookkeeping for farm-loan associations. Farm-loan associations should not invest any money in these things. The Farm Loan Board at Washington has adopted a system of accounting and bookkeeping for national farm-loan associations and will require books and accounts to be kept strictly in accordance with that system, so that any money invested in these patent schemes will be lost.

Some of these systems are elaborate schemes which would be expensive to maintain and so far as practical results are concerned would be entirely wasted.

started with \$75,000 in loans, and has now increased to \$300,000.

If the associations yet to be chartered maintain the average volume of loans of those associations already chartered it may be conservatively estimated that the amounts of loans already asked for under the farm loan system exceeds \$200,000,000.

During October charters to farm loan associations were granted at the rate of about 10 per day. Everything possible is being done by the Federal Farm Loan Board and the 12 Federal land banks to speed up the machinery of the system so that all the present applicants may be taken care of before another planting season comes around. More than 200 appraisers are working to reduce the great volume of business which accumulated between the time the Federal farm loan act was passed and the time when the Federal land banks were ready to make loans.

(Continued on page 3.)

FOUR PER CENT LOANS THAT COST SIX PER CENT.

Queer interest figures given in advertisement of private loan company in apparent attempt to deceive the farmers—Four per cent money advertised, but real charge is six.

In times past the farmer has always known exactly what his interest rates were. If he paid 6 or 8 or 10 per cent, he always knew it. If he paid a commission of 1 or 2 or 3 per cent a year, he knew that also. It seems now that the time has come for juggling figures and making queer calculations as to interest rates. We print on this page an advertisement which has appeared in a Hutchinson, Kans., paper, which advertises to the world the offer of 4 per cent loans. The advertisement reads, "Ask about our 4 per cent farm loans," but the figures show that the loan is not a 4 per cent but a 6 per cent loan. Here it is:

Ask about our—

4%

FARM LOANS

20 or 30 years rural-credit plan.

The _____ Life Insurance Co. is now offering a 20 and 30 year loan on the rural-credit or amortization plan. On this plan the total annual payment for both interest and principal for a 20-year amortized loan will be \$87.18 per year for each \$1,000 borrowed, and the total annual payment for a 30-year amortized loan will be \$72.65 per year for each \$1,000 borrowed—after which the loan will be fully paid and the mortgage released. Absolute privilege will be granted to pay any number of notes, or the whole debt, before due, any day in the year, and the company will allow you a discount on such payments at the rate of 5 per cent, interest compounded annually. Therefore, the loan can run 20 or 30 years if necessary, according to the plan you may choose, but you can have the privilege of paying all or any part at any time desired. You are not tied up any longer than you want to be; but you have this advantage in case you care to use it—that you can spread the debt over a term of 20 or 30 years, having an equal payment to make each year, thus never feeling the pressure of a large sum of money coming due in any one year. Average annual interest on \$1,000 on 20-year plan is \$87.18. We will cheerfully furnish any further information desired. (No loans made west of Pawnee County.)

Remember you pay no commission for making a loan under this plan.

THE _____ IMPROVEMENT CO.

Hutchinson.

Why this language should
appealing to intelligent

teresting question and we should be glad to hear from the people who are responsible for its publication.

This 20-year amortized loan calls for the payment of \$87.18 per year for each \$1,000 borrowed. To say that this is a 4 per cent loan is deceptive. Everybody concerned ought to know that this is a 6 per cent loan. Farmers' Bulletin No. 792 of the Department of Agriculture gives an amortization table for loans at 6 per cent.

According to this table the annual payment on \$1,000 at 6 per cent is \$87.18, exactly the amount which is claimed by the Hutchinson company as being the payment on a 4 per cent loan.

The Federal land banks are making loans to the farmers in Kansas at 5 per cent. Most of them are made for 36 years, but the Federal Farm Loan System amortized loan at 5 per cent for 20 years calls for a payment of only \$80.24 a year. How, then, can an honest advertisement claim that an amortized loan which calls for \$87.18 is a 4 per cent loan when our 5 per cent loans call for a payment of \$6.94 per year less on a \$1,000 debt? Every figure in this advertisement of a so-called "4 per cent farm loan" represents an actual charge of 6 per cent. Any farmer who takes one of these loans thinking that it is a 4 per cent loan will pay out during the 20 years \$743.81 in interest. If it were an actual 4 per cent loan, he would only pay \$471.60. He would be deceived to the tune of \$272.21. If he took out this so-called "4 per cent loan" for 30 years, he would pay as interest under the terms of the advertisement \$1,179.50, while if really made at 4 per cent he would only pay out \$734.80. In this case he would be deceived to the amount of \$444.60. But if the same farmer should borrow from the Federal land bank of his district he would only be charged 5 per cent interest. He would thus actually save in interest \$138.92 on a 20-year loan and \$228 on a 30-year loan.

Many years ago, in the early days of the oil business, there was discovered on the farm of a Pennsylvania farmer an oil well. The farmer made a contract with the oil people for one-eighth as a royalty, so that whenever seven barrels of oil were produced from the well one barrel was rolled aside for the farmer. He became dissatisfied with the contract and protested to the man who had sunk the well.

"What share do you think you ought to have," said the well driller.

"Well," said the farmer, who was not very strong in arithmetic, "I think I ought to have one-twelfth."

"All right," said the oil producer, "we will write the contract over again. We want to be fair with you."

The contract was rewritten on the basis of one-twelfth. When next the oil was divided 11 barrels were rolled out for the owner of the well and 1 for the farmer's royalty. The farmer demanded an explanation and received it. He sat in a brown study for some time and then remarked:

"This is the first time I ever knew that 8 is more than 12."

The advertisement in the Hutchinson paper seems to prove clearly that 4 is equal to 6. It is to be hoped that the farmers will sit in a brown study for some time before they will allow themselves to believe in this sort of figuring.

The advertisement closes with the statement: "Member you pay no commission

WHY NOT TELL THE TRUTH?

There is plenty of farm-loan business for all lenders who are willing to take fair interest rates and give the farmers the long time and liberal terms they need. The Federal land banks do not expect to do all the business. They are overwhelmed as it is. If it all came to them they would not be able to handle it. They could not hire and break in men fast enough.

We do not complain of competition; we welcome it. Most of the loan companies are fair, honest people, who tell the truth and go on doing business at the reduced rates which the Federal Farm Loan System has forced. Some, however, are bitter and some are untruthful.

Read the following and judge for yourself whether the attacks quoted below are bitter, or untruthful, or both. They are sent out by Lombard & Son (Inc.), of San Francisco, a money loaner named Heilbron, of Fresno, Cal., and possibly others.

These letters inclose a newspaper clipping containing an attack on the Federal farm-loan act, and proceed to say:

If you are not interested, I hope you will pass this letter or the clipping along to some friend who is trying to close a loan with the Federal loan bank, or may be considering the joining of a Federal loan association.

There are several reasons, as we understand the law, why the Federal loans are not desirable.

First. The borrower loses lots of time chasing around joining or forming an association, on which doubtless there will be assessments to pay the expenses and a salary of the secretary-treasurer for his time and labor and expenses of the loan committee. The secretary-treasurer is expected to report to the Federal farm bank information whether the borrower is living on the land, spending the borrowed money for personal expenses or feed for his stock, or any failure to comply with the many conditions in the Federal farm loan or application.

There are now about 1,500 farm loan associations in the United States that are borrowing money through the Federal farm loan act. The time is right at hand when there will be more farm loan associations doing business than there are counties in the United States. When an association is forming, the borrowers have to attend meetings and elect officers just the same as if they were forming a bank. If this is "chasing around," then the farmers do have to "chase around." They seem to think it worth while, however, to "chase around" in order to get their loans on a basis of 36 years or more on 5 per cent interest, with the right of reappraisal and increased mortgages later or the privilege of paying off in whole or in part after 5 years.

After an association is formed there is no more "chasing around" to get a loan through a farm loan association than there is in getting it through any other loan agency.

for making a loan under this plan." As a matter of fact, if the farmer thinks he is getting a 4 per cent loan, he is actually paying 2 per cent a year more than he thinks he is paying. Call it commission or not, it amounts to just exactly 2 per cent a year.

NOTE.—The name of the life insurance company is withheld because we do not know whether or not it was responsible for the advertisement as it appeared, and the name of the local agent is withheld because we do not wish to advertise him.

There will be some expense in handling the secretary-treasurer's office in some cases, although in very many cases, indeed, this work is done for nothing. In many associations the secretary-treasurer receives a small percentage of the loan when it is closed—not more than one-half of 1 per cent, or, say, \$5 on a \$1,000 loan—and when it is paid it is paid forever, and does not run on at the rate of 6 or 7 or 8 per cent, payable every year, as do some loans.

The secretary-treasurer is not expected to "report to the Federal farm bank information whether the borrower is living on the land, spending the borrowed money for personal expenses or feed for his stock," or any of the other things mentioned in this loan company's letter. The farmer is, of course, expected to spend the money borrowed for the purposes for which he borrowed it, and if he is honest he will do so. The secretary-treasurer is not expected to report anything unless the farmer violates his agreement.

Second. The Federal farm borrower may be months getting the money on his loan.

Some of the delay of the farmers in getting loans arises from the fact that they can not get releases promptly from the holders of the present mortgages, or that their abstracts are slow in getting around. There is some delay, too, on account of the enormous amount of business which the banks are doing. Business piled up for many months after the Farm Loan Board was appointed, before it was possible to organize any banks to do the business. When the banks were organized they found all this business ready and no organization with which to do it. They all have good organizations now, and are working the business off just as fast as they can. The banks will receive applications from farmers who wish to pay off their old loans at any time within a year, so that the farmer who will look ahead and plan to borrow in the future when he needs money will be able to get it on time. After the banks have caught up with their business there is no reason to believe that the low-rate long-time money will not be just as prompt in coming as the high-rate short-time money has been and is.

Third. The loan can not be paid before five years.

A part of the loan is, by the terms of the contract, paid every year, so that there are five payments on the principal of every loan in the first five years. On a 36-year loan this payment on the principal is only 1 per cent a year, but it does cut down the principal to some extent during the first five years. After five years the loan may be paid off in whole or in part on any interest day. It is pretty hard to see how the farmer can be very greatly harmed by carrying a 5 per cent loan for five years.

Fourth. Should he desire to sell his farm for cash the sale could not be made for five years, or if the purchaser should assume the Federal farm loan the consent of the other members of the association must first be obtained.

This statement is almost altogether false. He can sell his farm for cash at any time. If he sells his farm within five

years the bank may do one of two things: First, it may declare the loan payable and take the money; second, it may let the loan run and allow the purchaser of the farm to assume the mortgage and take over the stock of the first borrower in the national farm loan association. In other words, if a man sells his farm within five years the bank may either let the mortgage run or accept payment. This is exactly what any loan company would have the right to do, and ought to be satisfactory to any farmer.

The statement that the consent of the other members of the association must be obtained before a man can sell his farm is a pure falsehood and must have been known to be a falsehood by the people who sent it out. No such consent is necessary. The farmer does not have to consult anybody as to whether he can sell his farm or not.

Fifth. On each loan 5 per cent is deducted and invested in the shares of the Federal farm bank, on which there is a double liability, and these shares are held as collateral to the Federal farm loan.

This is true in a way, although it is colored to appear unfavorable. On each \$1,000 borrowed the farmer must invest \$5 in the stock of his national farm loan association. This is almost always added to the face of the loan, so that he borrows this \$5 as a part of his loan and has usually 36 years in which to pay it. When his loan is paid off this money is returned to him dollar for dollar. There is a double liability on this stock just as there is on national bank stock—that is, if the national farm loan association becomes insolvent through mismanagement, he might have to pay another \$50 on every \$1,000 on this stock. The worst that could happen to him would be that he would lose his \$50 paid in the beginning and have to pay another \$50 on it. If all this should happen within five years, his money would cost him 5 per cent straight interest and \$100 on each \$1,000 for his stock and double liability, which would be exactly 7 per cent, so that if the worst came to the worst his money would still be as cheap or cheaper than the money offered through most of those people who attack the system.

Sixth. He must live on the land himself and neither he nor his heirs can rent it out or any part of it.

This is also a falsehood. He does not have to live on the farm himself. All he has to do is to farm it either by his own or hired labor. Thousands of farmers have borrowed money under the Federal Farm Loan System on lands which they do not live upon but which they do actually farm. There is nothing in the law about living on the land. As for renting it, loans are not made to people who are renting the land out. The law is for actual farmers and not for landlords. Where a farmer for any good reason finds it necessary or convenient to rent out a part of his land after the loan has been made, he may do so freely.

Seventh. He can not use any part of the borrowed money from the Federal farm loan for personal expenses. These are ample reasons why borrowers should avoid the entanglements of a Federal farm loan.

There is a lot of talk in these letters and similar attacks about using the money for personal expenses or feed for live stock, and such things. As a matter of fact the law permits a farmer to borrow money to buy live stock. It also permits him to borrow for equipment for his

farm, and the Federal Farm Loan Board has the power to define "equipment."

Suppose that a farmer has a herd of live stock, and for some reason has no feed for them. Would you not think that feed for this live stock would be a proper "equipment"? Do you think that any Federal land bank or the Federal Farm Loan Board would force the farmer to allow his stock to die of starvation and then make a loan for the purchase of a new herd? We think that under some circumstances feed for live stock is an absolutely necessary part of farm equipment, and under these circumstances the farmer could borrow to purchase it.

As for "personal expenses," the law enables the farmer to borrow to clear off any old debts made prior to the time of the organization of the first national farm-loan association in his county, so that he can take care of old debts created for personal expenses. We do not think as a rule that farmers wish to mortgage their lands for personal expenses, neither do we think that they very often wish to mortgage their farms for feed for live stock. The Federal farm-loan act was passed "for the development of agriculture," and it meets the wants in this regard of probably ninety-nine farmers out of a hundred.

Whether the reasons given by these loan companies for not making loans through the Federal Farm-Loan System are "ample" reasons or not is for every farmer to say for himself, but he should have the facts before him, and not falsehoods and misrepresentations.

CHARTERS ISSUED TO 1,499 ASSOCIATIONS

(Continued from page 1.)

The farm loan associations chartered are divided by Federal land bank districts and States as follows:

Springfield Federal Land Bank (total 47): Maine, 4; Vermont, 1; Massachusetts, 10; Connecticut, 6; Rhode Island, 2; New York, 14; and New Jersey, 8.

Baltimore Federal Land Bank (total 64): Pennsylvania, 9; West Virginia, 10; Virginia, 36; Delaware, 1; and Maryland, 5.

Columbia Federal Land Bank (total 128): North Carolina, 56; South Carolina, 32; Georgia, 14; and Florida, 21.

Louisville Federal Land Bank (total 161): Tennessee, 64; Kentucky, 48; Indiana, 42; and Ohio, 7.

New Orleans Federal Land Bank (total 134): Louisiana, 6; Mississippi, 77; and Alabama, 51.

St. Louis Federal Land Bank (total 94): Illinois, 24; Missouri, 36; and Arkansas, 36.

St. Paul Federal Land Bank (total 101): North Dakota, 34; Minnesota, 27; Wisconsin, 13; and Michigan, 27.

Omaha Federal Land Bank (total 52): South Dakota, 13; Wyoming, 5; Nebraska, 31; and Iowa, 3.

Wichita Federal Land Bank (total 317): Colorado, 97; New Mexico, 75; Kansas, 69; and Oklahoma, 76.

Houston Federal Land Bank (total 110): Texas, 110.

Berkeley Federal Land Bank (total 69): California, 57; Nevada, 2; Utah, 7; and Arizona, 3.

Spokane Federal Land Bank (total 227): Washington, 83; Montana, 58; Oregon, 51; and Idaho, 34.

THE FARMER'S PART IN THE WORLD WAR

Submission to the Kaiser would have meant ruin for the American farmer because it would have destroyed the market for our surplus farm produce—Statement by Secretary W. G. McAdoo.

Our participation in the great world war has brought home to every citizen a better realization of his duty and obligation toward the Government.

Of course no one questioned the loyalty and patriotism of the American farmer. But there is a concrete principle involved in the war against Germany in which the farmer is peculiarly interested. It is the principle of the freedom of the seas for carrying on the commerce of the world, and an open market for the surplus products of American farms.

William G. McAdoo, Secretary of the Treasury, plainly set forth in a recent Liberty loan address the reasons why the farmers of America ought to be peculiarly interested in the successful termination of the world war, and why they should be generous in their support of the Government at this critical time.

He said:

A zone 500 miles in extent, marked off arbitrarily by the German Kaiser, surrounding Great Britain, Belgium, France, and Italy, meant this: That if we kept our commerce out of those waters and ceased our intercourse with those countries we might have lost a market for more than one-half of all that this country exports each year. For the fiscal year ended June 30, 1917, our total export trade to Great Britain, Belgium, France, and Italy amounted to \$3,400,000,000, or more than half of our entire export trade to all the world. If we had submitted to that order and that trade had been obliterated, what would have happened? Disaster upon the farms of America, disaster to the manufacturers of America, disaster to the mining interests of America, disaster to the lumber interests of America. To every productive activity of the American people there would have come irreparable injury.

Why do I say that? Because America's prosperity and her growth have always rested upon her ability to sell her surplus products in the open markets of the world. Nobody knows that better than the farmer. He knows that the wheat he produces is far in excess of the home demand; that if he can not sell that surplus in the markets of the world, where our wheat is in demand, the price would be reduced to less than the cost of production. Instead of wheat selling as now at \$2.20 per bushel, it might be selling at 50 cents a bushel if America had been craven enough to submit to the order of this foreign tyrant.

I am not telling you these things because I want to appeal to your material instincts. You ought to know the facts. This is no time to talk nonsense. This is the time to talk facts, to reckon with the situation. You know very well that if we could not move our wheat across the high seas there would instantly be a scramble to sell wheat. Everybody would want to unload as quickly as possible and get out at the highest possible price before the slump came. The Chicago wheat pit would be submerged with selling orders and there would not be enough buyers to absorb the offerings. Demoralization would result, prices would decline, and your wheat could not be sold because there would not be people enough to buy it and consume it. Much of it would have to be piled upon your farms if you had a place where you could store it, and if you did not have such a place it would have to rot or be used in some other fashion. The same thing applies to every kind of grain that is produced in this country.

The order of the German Kaiser restricting our commerce and telling us to keep off the high seas was an aggression upon every farmer, every manufacturer, every laboring man, and every citizen of America. He would have destroyed values upon the farms of this country just as inevitably, if we had yielded that order, as if a German army had marched through these great States destroying part of the farm products.

FARM-LOAN DIRECTORY.

A column of boiled-down information about the Farm Loan Bureau, its organization and personnel.

Location: Treasury Department, Washington, D. C.

Members of board: WILLIAM G. MCADOO, Secretary of the Treasury and chairman ex officio; GEORGE W. NORRIS, farm-loan commissioner; HERBERT QUICK, W. S. A. SMITH, and CHARLES E. LORDELL.

Secretary: W. W. Flannagan.

Assistant secretary and editor BORROWERS' BULLETIN: Frank R. Wilson.

THE FEDERAL LAND BANKS.

District No. 1.—Springfield, Mass., serving the States of Maine, Massachusetts, Vermont, New Hampshire, Rhode Island, Connecticut, New Jersey, and New York.

District No. 2.—Baltimore, Md., serving the States of Pennsylvania, West Virginia, Maryland, Delaware, Virginia, and District of Columbia.

District No. 3.—Columbia, S. C., serving the States of North Carolina, South Carolina, Georgia, and Florida.

District No. 4.—Louisville, Ky., serving the States of Indiana, Ohio, Kentucky, and Tennessee.

District No. 5.—New Orleans, La., serving the States of Louisiana, Mississippi, and Alabama.

District No. 6.—St. Louis, Mo., serving the States of Illinois, Missouri, and Arkansas.

District No. 7.—St. Paul, Minn., serving the States of North Dakota, Minnesota, Wisconsin, and Michigan.

District No. 8.—Omaha, Nebr., serving the States of Wyoming, Nebraska, South Dakota, and Iowa.

District No. 9.—Wichita, Kans., serving the States of New Mexico, Kansas, Colorado, and Oklahoma.

District No. 10.—Houston, Tex., serving the State of Texas.

District No. 11.—Berkeley, Cal., serving the States of California, Nevada, Utah, and Arizona.

District No. 12.—Spokane, Wash., serving the States of Idaho, Washington, Montana, and Oregon.

These banks are engaged in lending money to farmers on first mortgages on farm lands at a rate of 5 per cent. The mortgages are repayable on the amortization or installment plan through periods ranging from 5 to 40 years. Loans may be made up to 50 per cent of the appraised value of the land plus 20 per cent of the value of the permanent insured improvements for approved agricultural purposes.

A farmer desiring to become a borrower should address a letter of inquiry to the Federal land bank of his district asking for the name of the farm-loan association nearest him, or for papers to enable him to organize an association if none has been organized in his community.

MONEY MUST BE PROPERLY USED.

The man who borrows money under the Federal Farm Loan System must use it for the purpose for which he borrows it.

If he does not his loan may be foreclosed. The farm-loan act (par. 10 of sec. 12) reads as follows:

Every borrower who shall be granted a loan under the provisions of this act shall enter into an agreement, in form and under conditions to be prescribed by the Federal Farm Loan Board that if the whole or any portion of his loan shall be expended for purposes other than those specified in his original application * * * the whole of said loan shall at the option of the mortgagee become due and payable forthwith.

This calls on the borrowers only to play fair and be honest. Suppose the loan is made for the purpose of buying live stock, the money should be used to purchase one of those good things—a piano

"HOW BORROWED MONEY HELPS ME IN MY FARMING"

The Borrowers' Bulletin invites farm loan borrowers to tell how their loans are benefiting them.

The first edition of the **BORROWERS' BULLETIN** called attention to the fact that borrowing money for use in farming may be made a fine art; that it should be studied as such. It was pointed out that if \$1,000 can be hired to work for us for \$50 a year and can be made to produce for us a return of \$100 or \$200, it pays to hire the money.

Of course, it is desired that every farmer who borrows money under the farm-loan act shall put it to such use as will afford him the maximum return. The system is developed far enough now that a great many farmers ought to be able to furnish some interesting experiences as to what use they have made of their borrowed money. Of course a great many of our borrowers have used the money to pay off old debts, but a great many have, undoubtedly, put this money to profitable employment in the enlargement or rearranging of their farming operations so that the business can be carried on with greater promise of success. It would be interesting to know the experiences of some of these borrowers, and the **BULLETIN** invites contributions of not over 250 words showing how money borrowed under the farm-loan act has been used advantageously in the farming business.

If you believe you have invested the money procured under the Farm Loan System in a way that will materially help you, sit down and write us a letter for publication. It may be possible that some suggestion offered by you will help some other borrower in getting the maximum returns from his new capital. Write plainly and do not use more than 250 words.

or an automobile—what business is it, you may say, of the Federal land bank—the mortgagee?

It is very much its business. The live stock on the farm would enrich it and make it easier for the farmer to pay off the loan. The farm-loan act is "for the development of agriculture." The purposes of our loans are to be farming purpose always. The loans are made because they seem to be good things for the farm. The borrower promises that he will do with the money certain things which will be good farming. If he then goes and does certain other things, it breaks his contract. It is dishonest. Such a borrower should not be surprised if his loan is foreclosed.

He should state to the bank exactly what he intends to do with the money, and then do exactly that thing.

CONSERVING THE BULLETIN.

Henry Etzelmueller, secretary-treasurer of the Lake Mason National Farm Loan Association of Roundup, Mont., writes as follows:

The **BORROWERS' BULLETIN** will prove of great benefit to farmers. It is a good plan. Would it not be well to send each secretary-treasurer a number of the **BULLETINS** so that they can be distributed to applicants when making applications for loans?

To send out a supply to each secretary-treasurer from here regardless of his needs would result in a great waste of **BULLETINS**. White paper is one of the things which we ought to conserve during these times of war, but we shall be glad to send a small supply to any secretary-treasurer who will write for it. The **BULLETINS** are available and all we need to know is that a demand actually exists.

KEEPING DOWN COSTS

Klamath Falls Association serves its members at rate of \$2 per thousand.

The costs incident to procuring farm loans are being very materially reduced by reason of the Federal Farm Loan System. When farmers enter into the organization of a farm loan association in a truly cooperative spirit they are enabled to do, with the expenditure of a little effort, the very things for which they formerly paid dearly.

The **BORROWERS' BULLETIN** is glad to reproduce a letter from the Klamath Falls National Farm Loan Association of Oregon to the Federal Land Bank, of Spokane, which indicates how unnecessary expenses may be eliminated when farmers club together properly. The letter follows:

It may also interest you to know that thus far it has cost our members \$2 per thousand dollars to secure their loans. This includes all expenses of the local organization as well as the loan committee's appraisal. We believe this to be low, and it is partly accounted for by the fact that no one has received any compensation for their work, neither loan committee, directors, nor secretary-treasurer, the assessment having covered the actual disbursements for postage, car hire, etc. In many cases members have volunteered the use of their automobiles and charged only the actual cost of running same in making appraisal trips.

The **BORROWERS' BULLETIN** would be glad to publish letters from other associations which are able to make good showings in keeping down costs to their members.

HOW FARM LOAN ACT MAY AID LANDLESS

By acquiring a first mortgage under the farm loan act and a second mortgage from the original owner or elsewhere, the burden of land purchase may be distributed through longer period.

To what extent can the landless make use of the Federal farm loan act to become landowners?

This question has become a vital one in view of the rapidly increasing cost of living and the demand for greater farm production.

It is an accepted fact that thousands of tenants who now occupy the land of others under lease would be able to increase their production if they could, by some easy plan, acquire the land which they are now farming. It is also true that a great many people who are now wage earners have the disposition to go to farming, and also possess the knowledge and experience which would make them competent farmers. Coupled with these facts is the fact that in the United States there are thousands and thousands of acres of lands suitable for farming which are not used at all, or, at least, are not producing up to the capacity at which they would produce if farmed by men who were able to build permanent homes upon them.

A great percentage of such lands are for sale, and could be purchased if those who desired to make use of the lands could finance the transaction.

Under the Federal farm loan act prospective land owners may borrow 50 per cent of the appraised value of a piece of land, and they may use the borrowed money in the purchase of that land. Therefore, it is self-evident that any man who has saved 50 per cent of the appraised value of the land he wishes to buy would be able to buy that land by making use of this system. The obstacle is found in the fact that a great many people who desire to buy farms have not saved the 50 per cent needed to go with the 50 per cent which can be borrowed under the farm loan act.

To meet the requirements of these people, a plan has been suggested to enable prospective land purchasers to make use of a first and a second mortgage—the first mortgage for 50 per cent of the appraised value to be given to the Federal land bank, and a second mortgage for that part of the remaining 50 per cent which the purchaser has not saved, this second mortgage to be given to the original owner or to a bank or private money lender. The Federal land banks do not accept second mortgages but, by reason of the fact that first mortgages under the Federal land banks are made to run for long periods and are retired on small annual payments, many borrowers ought to be able easily to get money on second mortgages, the second mortgage to be paid off before the borrower has had to meet any substantial part of the first mortgage.

It must be borne in mind that the amount which can be borrowed under the farm loan act is limited to 50 per cent of

the appraised value of the land, and this is written on the assumption that the purchaser will not agree to pay more for land than it is actually worth, or, in other words, its appraised value as contemplated under the farm loan act.

To furnish concrete example: Suppose John Smith wants to buy a hundred acres of land, valued at \$50 per acre. The total purchase price would be \$5,000; but let us say Smith has saved but \$1,000.

Under the farm loan act, Smith would be entitled to borrow one-half of the appraised value, or \$2,500, if this appraised value should be the same as the purchase price. He would pay this to the original owner, adding the \$1,000 which he has saved. This would leave \$1,500 to be handled by a second mortgage. The original owner would thus get a satisfactory payment down, and with the investment of the \$1,000 which the purchaser has saved he would undoubtedly be willing to accept a second mortgage for the balance, divided into 10 annual payments.

Here is the way it would figure out. The first mortgage of \$2,500 given under the farm loan act would draw 5 per cent interest and would be paid off on the amortization or installment plan through a period of 36 years by making annual payments of \$150.

Now, let us say that the second mortgage of \$1,500 would draw 6 per cent and could be arranged so as to be retired in 10 years. The interest on this \$1,500 at 6 per cent would be \$90 the first year. One-tenth of the \$1,500 would be \$150. Adding the interest and the one-tenth payment would be a payment of \$240 on account of the second mortgage the first year, including interest and principal. The second-year payment on the second mortgage would be \$231, and the following annual payments throughout the 10 years to retire the second mortgage, both principal and interest, would be, respectively, \$222, \$213, \$204, \$195, \$186, \$177, \$168, and \$159.

On top of all these annual payments would be the \$150 interest and amortization payment on the first mortgage to the Federal land bank, making the total payments, interest and principal, on both mortgages, beginning with \$390 the first year, dwindle down to \$309 the tenth year; thereafter only \$150 each year for the remaining amortization term.

If the term of the second mortgage could be arranged for longer than 10 years the required annual payments would be correspondingly reduced.

These payments are smaller than the average tenant pays for rent. Assuming, as above, that the purchaser had saved \$1,000 to invest in a \$5,000 farm of 100 acres, his first-year payment would amount to approximately \$3.90 per acre. This would gradually reduce until the tenth year he would be paying \$3.09 per acre, and each year after that he would be paying only \$1.50 per acre. Instead of paying this money as rental he would be applying it on the purchase price of his land.

Even if the farmer could rent land worth \$50 per acre at an annual rental of \$3.85 per acre he would still be benefited under the operation of the farm-loan act. In the case of the renter, at the end of the term he would have paid the landowner about 8 per cent on his land investment and still be a renter, while

under the farm-loan act he will have come to the realization of his efforts and be an independent owner, free of mortgage, with the satisfaction and content which come with ownership.

It has been offered, by way of objection to the plan above outlined, that people having land for sale may undertake to put on the market lands of doubtful value, and sell them to uninformed purchasers at excessive prices, thus neutralizing the advantages of the farm-loan act.

Prospective purchasers may protect themselves from any possible extortion if they will delay entering into a contract for the purchase of the land until after it has been viewed by the land bank appraiser. They may merely take an option on the land in question, the option to stand until after this appraisal has been made. Then, if the appraisal is satisfactory to both parties the deal may be consummated.

Farmers buying land thus on the basis of a Federal farm-loan system first mortgage and a second mortgage given to some private party should be supplied with tools, horses, and other farming equipment. Unless he has equipment he had better remain a tenant farmer until he can obtain them.

BE ACCURATE!

The most important duty on the part of the borrower, after he has obtained membership in a national farm loan association, is the execution of his individual application for loan. Each inquiry contained therein should be plainly and definitely answered. Inquiries answered vaguely or indefinitely are no more acceptable to the bank than if the answers were omitted entirely.

Remember that the promptness with which the bank is enabled to reach your loan depends, in a great measure, upon the accuracy and promptness with which you have met the requirements of the bank.

Remember that you already know all about your land and that we don't. You are asking us to come in as your partner for a long period of years. We are, therefore, entitled to have the same knowledge of your land as you have, and business prudence demands this. Application for loan, if properly executed by you, will give us this information. It is a physical and historical description of the identical land proposed to be mortgaged, and should in every way be a statement of facts. With but few exceptions and in a very few minutes time, you can answer all inquiries plainly and definitely from memory. If you were going to lend your money on the land you propose to mortgage to us, in conducting your investigation as to the desirability and safety of the loan, you would ask every question contained in our application, and probably more. You can help most in the matter of expediting the making of your loan by carefully following instructions concerning the execution of the application for loan, and otherwise meeting the requirements of the bank promptly, plainly, and definitely.

The Federal land banks are anxious to accommodate the borrowers, but at the same time must know that the security offered is ample.

SECRETARY'S JOB REQUIRES CARE

The secretary-treasurer should have some knowledge of business and be centrally located—He can aid members in preparing their applications—Should insist on promptness from members.

Associations should select as their secretary-treasurer as competent a man as possible. He will be required to do practically all the work of the association outside of the loan committee's work and should be possessed of such education and intelligence as will enable him to thoroughly understand all matters pertaining to the farm-loan system, and be able at all times to explain all matters connected therewith to the various members. He should, moreover, if possible, have experience as an office man, since he will be required to keep books and records in an accurate, neat, and orderly way.

A secretary may be intelligent and conscientious and yet may have such little capacity as an office man as to render him entirely unfit for the job. He should write a legible hand so that his work will be neat and thoroughly readable.

In doing the work of his association he should, at the outset, see that the preliminary papers, that is the articles of association, by-laws, and affidavit of the secretary treasurer, are executed with entire correctness. A great many secretaries have fallen into sad and inexcusable errors with these papers, some of them going so far as to sign all the names themselves in the articles of association and by-laws.

The secretaries are, in most cases, called on by the borrowers to fill out their applications.

These applications, while rather long, as the necessity of the case demands, are yet simple and plain, and should cause no difficulty. And yet it is necessary to return a great many papers for correction. The expense and delay is manifestly considerable.

The questions on the applications should, of course, all be answered, and answered clearly and fully.

The description of the land should be absolutely correct; just exactly as mentioned in deeds conveying the property. This point can not too strongly be emphasized, since it is from this description that the mortgage must be made, and should there be any error there will be a hitch and much delay when lawyers come to drawing up the mortgages.

If possible, the secretary should always reside at or near the county seat or other convenient point, since thereby he will be much more accessible to the various members.

From the experience of the banks it can be stated positively that the mistakes made in the filling in of a loan application occasion from two to three weeks delay in putting through the loan.

Another thing that the secretary of the association and its directors should do is to urge upon the borrowers the prompt preparation of their abstracts upon the time of their loans.

The banks have found that many borrowers, although having complained beforehand about not getting their money, have yet, after their loans were approved, been astonishingly indifferent in the matter of furnishing abstracts promptly.

They should provide means of transportation throughout their territory to the appraiser and do everything in their power to enable him to do his work thoroughly and promptly. This is especially important since it affects largely the time of putting their loans through, and the expense incident to the appraisal, which expense, like all other expenses of the bank, comes, in the end, out of the borrowers.

In all correspondence with the bank the secretaries should make their letters brief and plain. Some of them write letters three or four pages long which could have been expressed in less than one page. These long letters take much unnecessary time for reading and answering.

COOPERATION.

If you are selected as an officer of your local national farm loan association, don't decline to serve in the capacity for which you are chosen. The success of the system depends upon full cooperation of those interested, without which the system will never reach the height of success expected of it.

Don't let your interest and enthusiasm in the association lag after you have received your loan. Help us to help your neighbor and your friends by acquainting them with the benefits of the Federal farm loan act. Your neighbor will appreciate your efforts and you will be doing much to insure the fullest success for the system.

If you are selected as a member of the board of directors or the loan committee of your local national farm loan association, don't neglect your duties, especially after you have received your loan. Give the business of the association the attention to which it is properly entitled. Remember that your neighbor may need his loan even more than you need yours. Help us to extend the benefits of the Federal farm loan act to every good farmer in your community. We can do this if all concerned, including yourself, will cooperate with us and particularly so if it is known that the affairs of the association are efficiently managed and receive prompt attention at the hands of the officers of the local association.

Arrange to handle the business of the association with promptness and efficiency and with the strictest of economy. After the articles of association have been properly executed and filed with the bank, the further duties devolving upon the secretary-treasurer are limited to minor details, but they all involve work. Many secretary-treasurers are serving without compensation. This is full evidence of the acceptance of the spirit of cooperation contemplated by the law. If compensation is provided for secretary-treasurer, it should not be large and is subject to the approval of the Farm Loan Board.

Keep the interest in the association alive by holding regular meetings. Talk better farming, better crops, discuss your farming problems with your neighbor. You will find that both will be benefited. Read all the literature you can obtain on better farming and better crops. When

BIG SAVING TO FARM BORROWERS

Farm loan act makes cheaper money available for a greater number of farmers—Present volume of farm mortgages is about four billions and average interest rate is 7.4.

That the Federal farm loan act should be an important factor in lightening the burdens of the American farmer is indicated by an examination of the figures showing the present farm mortgage volume of the United States and previous interest rates.

Perhaps the most accurate figures concerning the farm loan volume of the United States are included in a bulletin issued by the United States Department of Agriculture July 31, 1916. It is, admittedly, a difficult matter to get a correct tabulation of farm loan indebtedness. The bulletin in question, with one State missing, records a total of farm loan mortgages in the United States amounting to \$3,471,000,000. Since these figures were taken the volume of business has undoubtedly greatly increased, and it is not a wide guess to say that the present farm loan indebtedness of the United States is approximately \$4,000,000,000.

According to the same bulletin the average interest rate on this great volume of business was when the bulletin was published 7.4 per cent. On this volume of indebtedness, therefore, the farmers of the United States have paid an annual interest charge of \$296,000,000.

The interest rate under the Federal farm loan act is 5 per cent. If all of the farm loan business of the country should be taken over by the Federal land banks there would result a saving to the farmers of the United States of more than \$90,000,000 a year.

This computation takes no account of the greatly increased volume of profitable borrowing which American farmers may engage in with the establishment of a reasonable rate of interest, and the creation of an agency to extend credit to the limit of safety to all deserving borrowers. Neither does it consider the saving to those who borrow to pay off debts which are not secured by mortgage, and which usually bear a very high rate of interest.

The Federal land banks do not expect to take over all of this vast mass of the farm loans of the country, but the farmers everywhere have already begun to get the benefits of it because the existence of these banks has resulted in a general lowering of interest charges and a wider extension of credit in sections in which capital heretofore has not been freely available. The farmers benefit by the farm loan act even though they do not borrow under it.

you hit upon a plan that proves good and helpful to you tell your neighbors. Help them to help themselves, and both will be benefited. Make your association a community clearing house for the discussion of farming problems and for the exchange of ideas.

A national farm loan association is a permanent financial institution. It should be run in such a way as to be the pride of the neighborhood.

ONE PER CENT EACH YEAR PAYS LOAN

Borrowers pay only 5 per cent interest, but will make payments amounting to 6 per cent each year on the original principal which pays the interest and wipes out the principal in 36 years—May pay all after five years.

The interest rate under the farm loan act is 5 per cent.

But the annual payments which you will make to the Federal land bank will amount to 6 per cent on the amount borrowed if you take your loan for 36 years. This amount will pay the interest on the principal, thus reduced every year, and the balance after paying the interest will pay off the principal in 36 years.

If you apply 1 per cent of your original debt to a reduction of the debt each year the debt will be extinguished in 36 years. Under this plan of borrowing you are never called upon to pay any large sum.

If your loan is for \$100 at 5 per cent, running for 36 years, semiannual payments of \$3 will wipe out principal and interest. An amortization table has been approved by the Farm Loan Board, which shows just how these payments are applied throughout the period of the loan. Seventy-one semiannual payments and one final payment of \$4.60 are made during the 36 years.

By using this table as a guide it is possible to figure out the semiannual payments on any 36-year loan of any size, which bears 5 per cent interest. The foregoing table is for \$100; so just take the amount of your loan, divide it by 100, and then multiply that result by 3. For example, to ascertain the semiannual payments to retire a loan of \$1,500, divide \$1,500 by 100. The result is \$15. Multiply \$15 by 3. The result is \$45,

NAILING FALSEHOODS.

FEDERAL FARM BUREAU,
Washington, D. C.

GENTLEMEN: I have a copy of the BORROWERS' BULLETIN, issued October 1. I could make very good use of, say, 10 to 12 copies of the same, because it takes up the argument given in a pamphlet which is being circulated here. The pamphlet brings up a lot of nonsensical arguments against the working of the Federal farm loan. It is being distributed quite largely. If I could place the October 1 issue of the BORROWERS' BULLETIN in the hands of considerable number of men, I would no doubt be able to counteract the bad results of the pamphlet.

Very truly yours,

GEO. P. WOLF,

County Agricultural Agent.

WAHPETON, N. DAK.,

October 25, 1917.

which represents the semiannual payment on a \$1,500 loan for 36 years.

And bear in mind that this \$45 includes the 5 per cent interest and also the necessary amount to pay off the principal.

And bear in mind also that every borrower under this system has the privilege of paying all of his debt on any interest-paying date after it has run 5 years. Or he may pay any part of it in multiples of \$25.

The table is as follows:

Payment No.	Installment.	Interest.	Applied on principal.	Principal still unpaid.
1	\$3.00	\$2.50	\$0.50	\$99.50
2	3.00	2.49	.51	98.99
3	3.00	2.48	.52	98.47
4	3.00	2.46	.54	97.93
5	3.00	2.45	.55	97.38
6	3.00	2.43	.57	96.81
7	3.00	2.42	.58	96.23
8	3.00	2.41	.59	95.64
9	3.00	2.39	.61	95.03
10	3.00	2.38	.62	94.41
11	3.00	2.36	.64	93.77
12	3.00	2.34	.66	93.11
13	3.00	2.33	.67	92.44
14	3.00	2.31	.69	91.75
15	3.00	2.29	.71	91.04
16	3.00	2.28	.72	90.32
17	3.00	2.26	.74	89.58
18	3.00	2.24	.75	88.82
19	3.00	2.22	.78	88.04
20	3.00	2.20	.80	87.24
21	3.00	2.18	.82	86.42
22	3.00	2.16	.84	85.58
23	3.00	2.14	.86	84.72
24	3.00	2.12	.88	83.84
25	3.00	2.10	.90	82.94
26	3.00	2.07	.93	82.01
27	3.00	2.05	.95	81.06
28	3.00	2.03	.97	80.09
29	3.00	2.00	1.00	79.09
30	3.00	1.98	1.02	78.07
31	3.00	1.95	1.05	77.02
32	3.00	1.93	1.07	75.95
33	3.00	1.90	1.10	74.85
34	3.00	1.87	1.13	73.72
35	3.00	1.84	1.16	72.56
36	3.00	1.81	1.19	71.37
37	3.00	1.78	1.22	70.15
38	3.00	1.75	1.25	68.90
39	3.00	1.72	1.28	67.62
40	3.00	1.69	1.31	66.31
41	3.00	1.59	1.41	62.18
42	3.00	1.55	1.45	60.73
43	3.00	1.52	1.48	59.25
44	3.00	1.48	1.52	57.73
45	3.00	1.44	1.56	56.17
46	3.00	1.40	1.60	54.57
47	3.00	1.36	1.64	52.93
48	3.00	1.32	1.68	51.25
49	3.00	1.28	1.72	49.53
50	3.00	1.24	1.76	47.77
51	3.00	1.20	1.80	45.97
52	3.00	1.15	1.85	44.12
53	3.00	1.10	1.90	42.22
54	3.00	1.06	1.94	40.28
55	3.00	1.01	1.99	38.29
56	3.00	.96	2.04	36.25
57	3.00	.91	2.09	34.16
58	3.00	.85	2.15	32.01
59	3.00	.80	2.20	29.81
60	3.00	.75	2.25	27.56
61	3.00	.69	2.31	25.25
62	3.00	.63	2.37	22.88
63	3.00	.57	2.43	20.45
64	3.00	.51	2.49	17.96
65	3.00	.45	2.53	15.41
66	3.00	.39	2.61	12.80
67	3.00	.32	2.68	10.12
68	3.00	.25	2.75	7.87
69	3.00	.18	2.82	4.55
70	4.66	.11	4.55	-----
Total...	217.66	117.66	100.06	-----

If you will take special note of the farm-loan directory published in this issue of the BULLETIN it may save you needless correspondence. By consulting this directory you will be able to find out where the Federal land bank of your district is located, so that you may address your inquiry direct.

Farm-loan associations have now been chartered in every State in the Union.

THE LOAN COMMITTEE SHOULD NOT CONTROL

Its members should not constitute a majority of the board of directors of a national farm loan association—Farm Loan Board outlines regulations.

Care should be taken that the work of the association should not be in the hands of too small a number of members.

All loans are approved by the board of directors of the National Farm Loan Association. This approval comes after the report of the loan committee, and should be an independent exercise of judgment.

Sometimes directors are also members of the loan committee. Where there are five directors it sometimes happens that three of them are on the loan committee. In such a case these three control the board of directors. When they vote to approve loans they are really approving their own work as members of the loan committee.

This ought not to be. The action of the board of directors ought not to be controlled by the loan committee. If possible, the loan committee should be composed of men who are not directors. In any case there should be enough men on the board of directors to control its action regardless of the votes of members of the loan committee.

Sometimes the records show that a director votes to approve his own loan. This is not proper. When his own loan is voted on he should not vote. No member of a loan committee should appraise his own loan, and no director should approve his own loan. The reasons for these things are plain. Each loan should be appraised and approved, not by the man making the loan but by other borrowers who can vote without personal interest or bias. Only by such actions can unsafe loans be prevented from being put up to the Federal land-bank appraiser.

This matter is further outlined in a letter from the Federal Farm Loan Board to the secretary-treasurer of a farm loan association. It is as follows:

The Federal Land Bank of Columbia has forwarded to us your letter to them of March 14, and a copy of your affidavit as secretary-treasurer on the organization of the Asheville National Farm Loan Association. As this association is one of the largest in number of members which has yet been organized, we have noted your letter with care and wish to make several suggestions to you. In the first place, we regard it as distinctly objectionable that a loan committee should constitute a majority of the board of directors of an association. Where this is the case, anything that the loan committee reports must necessarily be approved by the board, and the independent review by the board, which was contemplated by the act, is lost.

We think that you should, therefore, add to your board several independent high-class members, having no business or personal relations with the members of the loan committee, or else appoint a new loan committee, not composed of members of the board, to pass on future applications.

Special attention is called to the invitation of the BORROWERS' BULLETIN to borrowers to write letters saying how money borrowed under this act has been used to the advantage of the borrower. Perhaps you can suggest something that will help another borrower.

FARM-LOAN BONDS AN IDEAL INVESTMENT

In addition to providing loans to farmers an important function of the Federal farm-loan act is to provide a standard, attractive security for investors.

The original capital provided for the 12 Federal land banks was small in comparison with the volume of loans which these banks are called upon to make. Some way had to be provided to furnish this system with a great volume of money to give these loans to farmers. The method as provided by Congress for raising this money was through the issuance of farm-loan bonds secured by the mortgages taken in by the Federal land banks in exchange for money loaned to farmers.

When a Federal land bank lends \$50,000 or more it takes in exchange from the farmers an equal amount of first mortgages. Inasmuch as the loans made in exchange for these mortgages were limited to 50 per cent of the appraised value of the land plus 20 per cent of the appraised value of the permanent insured improvements, every dollar of these bonds represents \$2 worth of land held as security, and in addition to this land security the assets of all of the 12 Federal land banks are pledged to secure all of the bonds issued by any one of the Federal land banks. These assets include all of the capital stock of all the banks, which grows constantly as the volume of loans increases, because an amount equal to 5 per cent of all of the loans made is invested back in capital stock of the banks.

These bonds possess many attractive features as an investment for farmers. They bear an interest rate of $4\frac{1}{2}$ per cent, and they are entirely free of all forms of taxation with the exception of inheritance tax. They are free from income tax. They are regarded as one of the most attractive investments ever offered in this country.

In view of the attractive character of these bonds they bear a small premium, selling at $101\frac{1}{2}$. This means that a \$1,000 bond would cost \$1,011.25. These bonds run for 20 years, but the Federal Farm Loan Board reserves the right to redeem them at the end of five years. They are issued in denominations of \$25, \$50, \$100, \$500, and \$1,000.

In view of the prosperity which has come to many of the agricultural sections of the United States this year it is probable that many farmers will find themselves in position to invest some of their profits in farm-loan bonds. Applications may be made to the Bond Division, Federal Farm Loan Bureau, Washington, D. C., or any of the Federal land banks.

The Federal Farm Loan Bureau has issued a special bulletin describing these bonds in detail, and this bulletin will gladly be sent to any person who indicates an interest in this investment.

Investors of the United States have already placed their stamp of approval on farm-loan bonds by purchasing \$21,500,000 worth of them up to November 1.

It is expected that these bonds will be issued at the rate of between two and three million dollars per week hereafter to supply a steady stream of money to be loaned to farmers. Many a retired farmer would have a better income if he would sell his farm to an actual working man and invest the money in farm-

SAVING MONEY FOR FARM BORROWERS.

Below is shown a table showing the comparative cost on a \$1,000 basis of a loan made on the 36-year amortization plan, 5 per cent interest, semiannual payment, and a loan on the simple interest plan at 5, $5\frac{1}{2}$, 6, $6\frac{1}{2}$, or 7 per cent, for any number of years from 5 to 36, inclusive.

In order to find the difference in cost of a loan in any sum on the above amortization plan and a loan of like sum on the simple-interest plan, (1) using the accompanying table, subtract the cost of a \$1,000 Federal land bank loan for the time the desired loan will run from the cost of a \$1,000 simple-interest loan at the specified rate for the same number of years; (2) multiply this difference by the number of times 1,000 is contained in the face of the desired loan.

Time, in years.	Amount required to cancel loan on—				
	The amortization plan.	The simple interest plan.			
		5 per cent.	$5\frac{1}{2}$ per cent.	6 per cent.	$6\frac{1}{2}$ per cent.
5	\$1,243.99	\$1,250.00	\$1,275.00	\$1,300.00	\$1,325.00
6	1,291.03	1,300.00	1,330.00	1,360.00	1,390.00
7	1,337.41	1,350.00	1,385.00	1,420.00	1,455.00
8	1,383.10	1,400.00	1,440.00	1,480.00	1,520.00
9	1,428.07	1,450.00	1,495.00	1,540.00	1,585.00
10	1,472.28	1,500.00	1,550.00	1,600.00	1,650.00
11	1,515.69	1,550.00	1,605.00	1,660.00	1,715.00
12	1,558.26	1,600.00	1,660.00	1,720.00	1,780.00
13	1,599.95	1,650.00	1,715.00	1,780.00	1,845.00
14	1,640.71	1,700.00	1,770.00	1,840.00	1,910.00
15	1,680.49	1,750.00	1,825.00	1,900.00	1,975.00
16	1,719.25	1,800.00	1,880.00	1,960.00	2,040.00
17	1,756.94	1,850.00	1,935.00	2,020.00	2,105.00
18	1,793.49	1,900.00	1,990.00	2,080.00	2,170.00
19	1,828.86	1,950.00	2,045.00	2,140.00	2,235.00
20	1,862.99	2,000.00	2,100.00	2,200.00	2,300.00
21	1,895.80	2,050.00	2,155.00	2,260.00	2,365.00
22	1,927.24	2,100.00	2,210.00	2,320.00	2,430.00
23	1,957.23	2,150.00	2,265.00	2,380.00	2,495.00
24	1,985.70	2,200.00	2,320.00	2,440.00	2,560.00
25	2,012.58	2,250.00	2,375.00	2,500.00	2,625.00
26	2,037.78	2,300.00	2,430.00	2,560.00	2,690.00
27	2,061.21	2,350.00	2,485.00	2,620.00	2,755.00
28	2,082.80	2,400.00	2,540.00	2,680.00	2,820.00
29	2,102.44	2,450.00	2,595.00	2,740.00	2,885.00
30	2,128.04	2,500.00	2,650.00	2,800.00	2,950.00
31	2,135.49	2,550.00	2,705.00	2,860.00	3,015.00
32	2,148.69	2,600.00	2,760.00	2,920.00	3,080.00
33	2,159.52	2,650.00	2,815.00	2,980.00	3,145.00
34	2,187.88	2,700.00	2,870.00	3,040.00	3,210.00
35	2,173.58	2,750.00	2,925.00	3,100.00	3,275.00
36	2,176.56	2,800.00	2,980.00	3,160.00	3,340.00

THINGS THE APPLICANT CAN DO TO ASSIST THE LEGAL DEPARTMENT IN EXPEDITING THE LOAN

1. Be prompt to comply with every request of the secretary-treasurer. When he informs you of some request of the bank concerning your title, or with reference to your note and mortgage, act thereon without delay.

2. Be sure that the abstract is speedily furnished when requested.

3. Be sure the abstract or abstracts cover all the land offered as security.

4. Be sure the abstract is brought down to date by the abstractor before it is sent to the bank.

5. You can probably discover defects, if any, in your title before you hand your abstract to the secretary-treasurer. If you know or learn of any correct them, record the correcting papers, and have them shown in the abstract. If you will do this, it will in all probability save delay. Your abstractor can be of much assistance to you in this matter.

6. Do not assume that the bank will probably waive defects or may not require the furnishing of certified copies of court proceedings, if any, affecting the title to the land, etc. The abstractor generally knows what is required, and you will frequently expedite your loan and

avoid delay by following his suggestions, although the abstract may be a little larger than you would like to have it.

7. When your secretary-treasurer is notified of defects in your title which the bank desires corrected before sending the note and mortgage for you to sign, he should immediately take the matter up with you and your abstractor, and you should make the corrections just as speedily as possible, and record the corrective papers, and have the abstract recertified by the abstractor and sent right back to the bank by the secretary-treasurer so the note and mortgage may be sent out for you to execute.

8. The note and mortgage should be executed just as soon as possible after they are received by the secretary-treasurer. The mortgage should then be immediately filed for record. The secretary-treasurer should immediately send the note to the Federal land bank. Sometimes there are minor defects in your title, these you should correct with dispatch, and file the correcting papers for record at the same time you file your mortgage for record, so both your title and the bank's will be perfectly clear.

The Borrowers' Bulletin

ISSUED BY THE FEDERAL FARM LOAN BUREAU, U. S. TREASURY DEPARTMENT

VOL. 1

WASHINGTON, D. C., JANUARY, 1918

No. 3

FEDERAL LAND BANKS RAISE INTEREST RATE.

War conditions made readjustment of rates necessary to supply the Federal land banks with loanable funds—Government borrowings take investment money.

The Federal land banks on December 7 advanced the interest rate on farm mortgages from 5 per cent to $5\frac{1}{2}$ per cent.

All farmers understand that the banks are not loaning Government money, but are obliged to get money for the farmers by selling Federal farm-loan bonds. The Government did advance to the banks, without interest, \$9,000,000 of the capital of the banks, which the farmers now have the use of at 5 per cent interest. But this \$9,000,000 was loaned to the farmers long ago, and now the only way in which money can be provided for loans to the farmers is by selling bonds to investors.

The law gives to the banks the right to charge 6 per cent interest, but the Federal Farm Loan Board, after looking the country over, decided that Federal farm-loan bonds could be sold to investors at $4\frac{1}{2}$ per cent. By charging the farmers 5 per cent, the banks would have one-half of 1 per cent to pay their expenses. Up to the 1st of November these $4\frac{1}{2}$ per cent bonds were bought readily by investors at a small premium, and as a matter of fact about 5,000 investors did buy them and are now holding them. The amount of money raised by the sale of these bonds at $4\frac{1}{2}$ per cent interest is nearly \$30,000,000. The small premium which the banks were able to make on these bonds helped to some extent to pay the expenses of the banks.

About November 1 the Federal Farm Loan Board and the banks were unable to sell the $4\frac{1}{2}$ per cent bonds any longer at any considerable premium. The war emergency has called for such enormous investments of money that interest rates have risen to borrowers everywhere.

Federal farm-loan bonds are exempt from taxation of all sorts, but even tax-exempt bonds now have to be sold at a higher rate of interest than the market called for three or four months ago. The increase in this interest rate has been from one-half of 1 per cent on the choicest State and municipal bonds to rates exceeding 7 and $8\frac{1}{2}$ per cent for large industrial and transportation corporations. The farmers of the United States are now borrowing money at a lower rate of interest through the Federal Farm Loan System than any other class of borrowers in the country. This is the first time in our history that the farmers as a class have been able to do this, but it is no longer possible for them to obtain quite as low rates as have recently obtained.

The Farm Loan Board and the land banks believe that it is infinitely better to advance the interest rate to the farm-

NO DECEMBER ISSUE.

No edition of the BORROWERS' BULLETIN was issued in December on account of the congested condition of the mails during the holiday season. The Post Office Department requested all Government departments to postpone the distribution of any circular matter until after the holidays.

ANNUAL MEETINGS TO BE HELD ON JANUARY 8.

Only actual borrowers and charter members are entitled to vote—Ten days' notice of meeting required—Directors elect officers and loan committee.

The annual meetings of all national farm loan associations in the United States will be held January 8, 1918.

The secretary is required to give each voting member at least 10 days' notice in writing of such meeting.

Only those members who have had their loans closed and who have received receipt for their stock, thus becoming stockholders, are entitled to vote. The only exception to this general ruling would be in instances of charter members who signed the original articles of association and whose loans have been approved by both the loan committee and the Federal land bank. Such persons may vote even though the loan is not completed. The voting strength of members is outlined in the farm loan act itself and is one vote for each \$5 share of stock held, no one member to have more than 20 votes.

The only associations which are required to hold their annual meetings on January 8 are those which have been actually chartered and in which there are 10 members who have completed their loans.

All directors must be elected from the voting members of the association.

The number of directors to be elected may vary according to the requirements of the by-laws of your association. The minimum is five. A great many associations have nine directors.

The officers are elected by the directors and all excepting the secretary-treasurer must be directors.

The loan committee is elected by the directors and if there are only five directors, the members of the loan committee should not be directors. It is the duty of the board of directors of an association to approve or reject appraisals which the loan committee has made. If a loan committee of three makes a unanimous report on valuations and all three members of the loan committee are members of

REAL CONDITION OF FEDERAL LAND BANKS.

Statement of Federal Farm Loan Board shows impairment of banks' capital to be small—Shows enemies of the system are trying to destroy it.

The following statement of the Federal Farm Loan Board was issued December 24 by Secretary W. G. McAdoo, chairman of the board:

From the time of the passage of the farm loan act a majority of the private agencies engaged in the farm-loan business have appreciated its advantages, and are about to ask Congress for some minor amendments to the act which will justify their becoming members of the system as joint stock land banks. A very large majority of country bankers throughout the States have also appreciated the advantages of the new loan system to the rural communities and are heartily in favor of it.

There has always been, however, a small minority of farm-loan men and country bankers bitterly opposed to it, and these interests have been waiting for an opportunity to attack it. Knowing perfectly the conditions under which the business is done, they now think they have found their coveted opportunity to attack the system. Their first step has been to instigate a call for a report of the condition of the 12 Federal land banks.

START WITHOUT SURPLUS.

Ordinarily, such institutions are provided with a surplus to absorb the expenses of the first year, but under the act of Congress each one of these banks was started six or eight months ago with \$750,000 capital and no surplus. They were obliged to pay out their organization expenses, including furniture, stationery, etc. They were obliged to organize their office force, and to employ and pay appraisers to appraise the farms of the applicants for loans. They were also obliged to create a legal department, to examine the titles of applicants. For at least six months, they were paying out money continuously, with scarcely a dollar of receipts. On November 1 they had to pay six months' interest on the bonds they had sold. They are now just beginning to receive the first payments on the loans they have made. Under these conditions, each bank necessarily shows what is technically called "an impairment of capital." The average "impairment," so-called, is 6 per cent, but this does not actually impair the strength or the solvency of the banks, particularly as they have received from farm loan associations subscriptions to additional stock in excess of \$1,500,000, so that their actual capital is about \$1,000,000 greater than it was when they started. Everybody knew that this would be so.

INTEREST EARNED; NOT COLLECTED.

On the other side, it should be remembered that they have assets which do not appear on their books, made up principally of two items. The first of these is the large amount of interest accrued but not yet due upon the loans they have made. The second is the charges for appraisal and determination of title, payable by borrowers when their loans are closed. They have made appraisements and examinations of title on loans to the amount of over \$100,000,000, of which only a little over \$30,000,000 have been closed to date. They are therefore entitled to reimbursement of these charges on the \$70,000,000 of business which has been examined and approved, but not yet closed. The business of these banks consists of borrowing money at $4\frac{1}{2}$ per cent, which they are under no obligation to repay for 20 years, and loaning this money out at 5 per cent or $5\frac{1}{2}$ per cent on first mortgages limited to 50 per cent of the

value of the land mortgaged. Such a business is inherently profitable, but not until a reasonable volume of it is on the books. The necessary volume is in sight and in process of being closed. As a matter of fact, its volume is so great that several of the more active banks, if permitted to continue their present rate of growth, will be able to begin the repayment of the Government subscriptions to their stock inside of 18 months.

LIKE FEDERAL RESERVE CRITICISMS.

The business of the banks is similar to that of a life insurance or fire insurance company, which invests money to get profitable business on its books. The cost of getting this business has to be paid before the resulting profits begin to come in. To judge of the profitability of their business by operations to date is like asking a farmer who took possession of a farm in October to give a statement of receipts and expenditures in May. Naturally, his statement would show all outgo and no income. It will be remembered that similar criticisms were directed at the Federal reserve banks toward the close of their first year.

We are advised that the next move of those who are seeking to break the system down will be to institute a suit contesting the constitutionality of the farm-loan act. The purpose of this suit will be to alarm investors who have already bought bonds, and to dissuade others from buying them. There is not the slightest reason to fear it, however. The constitutionality of the act has already been passed upon by the Attorney General of the United States, and by former Supreme Court Justice Hughes, who examined it critically for a group of banking houses who were not willing to recommend the bonds to their clients without disinterested opinion from eminent counsel of their own selection. The system is so strong, and its administration is of such paramount importance to the agricultural development of the country, that attacks upon it are bound to fail. It is only proper however that this warning should be given, in order that the farmers and all friends of the system should grasp the sinister purpose that is behind these attacks.

FARMERS PROSPEROUS.

Houston bank reports that many applications have been withdrawn.

Concrete evidence that the farmers of America are benefiting from war prices is contained in a report made by the Federal Land Bank of Houston to the Federal Farm Loan Board here.

After explaining that nearly half a million dollars will be paid in Federal farm loans to the farmers of Texas during November, the report says that the Houston bank has passed favorably on additional loans amounting to \$1,174,674 and is waiting for the farmers to provide abstracts of title and cure defects before these loans are made. The report then says:

A very large number of these loans have been abandoned on account of the extremely high prices of farm products. Applicants have been able to pay off their indebtedness out of the proceeds of their crops, and we are getting letters every day from borrowers in response to our letters asking why they do not cure defects in titles, in which they state that they have made enough out of their cotton crop, peanut crop, or some other crop to pay off their indebtedness, and that they do not need the money.

The Federal Farm Loan Board rejoices that farmers in many parts of the United States are being visited with this new prosperity. As has often been explained in the publications issued by this bureau, the Farm Loan Board is anxious that as many farmers as possible be free of debt. The object of the Federal farm loan system is not to make it easier for farmers merely to get into debt, but to provide them an easy way to get into debt with profit and out of debt with honor.

STORY OF A SUCCESSFUL ASSOCIATION.

Practically 2,000 farm-loan associations are now organized in the United States. These associations are engaged in making into reality the dreams of the creators of the Federal farm-loan act. They are putting into operation the first real great nation-wide effort at agricultural cooperation.

Among 2,000 associations scattered through all the States existing under widely different conditions there must be a great variety of ideas and opinions.

While the Federal farm-loan act and the instructions of the Federal land banks have outlined, in a general way, the method of conducting farm-loan associations, much has been left to the enterprise and originality of local officials. Consequently, when a farm-loan association has come into existence and is doing its work with a high degree of efficiency, it is worth while to have a statement of its plans of operations disseminated for the benefit of the many other farm-loan associations in the United States.

The Federal Land Bank of New Orleans recently referred to the Madison National Farm-Loan Association of Canton, Miss., as a "model association." It was said that the Madison association had performed its duties promptly and efficiently and in such a way as to relieve the bank of a great deal of the burden of following the business to a conclusion.

Credit was given to Mr. Tip Ray, secretary-treasurer of that association, for its high degree of efficiency.

The BORROWERS' BULLETIN addressed a letter to Mr. Ray asking him to explain, for the benefit of the hundreds of other farm-loan associations, just how his association had been conducted with such a degree of success. Mr. Ray's enlightening letter is herewith reproduced for the suggestions which it contains:

"HOW WE DID IT."

I have been requested to write a brief story of how our association has been managed. It would be a difficult proposition to crowd a story of our experience into a limited space. However, realizing that our experiences may be of some benefit to others, I will endeavor to give a brief outline of "How we did it."

I say "we" because our directors and appraisers have contributed largely to the success of our organization, and to them the credit is mostly due.

The first step in organizing was to win over the editor of our local newspaper. This was done by going over the Federal farm-loan act with him and pointing out to him the benefits the farmers would derive from it. Since then he has been of great assistance to us in publishing almost everything asked of him, and it was largely in this way that we created interest in our organization and gained the confidence of the public.

GOOD MEN AT HELM.

Our first meeting was well advertised and well attended. At this meeting applications amounting to about \$87,000 were made. I had made a thorough study of the farm-loan act and endeavored to explain fully the details of it, in which task I was assisted by several others. One of the points stressed most was the importance of selecting the proper men as directors. In this we were fortunate, and succeeded in selecting men who had been successful in their own business. We elected as directors men who were not only successful farmers but who were men of unquestioned integrity and who enjoyed the full confidence of the public. The fact that the farmers had the utmost confidence in these men and in their judgment and ability encouraged others to join, and the applications began pouring in.

The other step in organizing was the selection of members of the loan committee. In this we were also successful. An ex-sheriff,

a tax-assessor, and a wide-awake farmer were selected. These men were in a position to know the value of our lands, and their appraisals have seldom been questioned. I might add that they have almost invariably been in line with the Federal appraiser's valuations.

CONSERVATISM PRACTICED.

In this way our members were enabled to borrow what they were entitled to, and at the same time they have been protected against their neighbor borrowing too much and thus weakening our organization. Too much can not be said of the importance of selecting the proper men as members of the loan committee. They should be men who know land values and who at the same time have the confidence of the people. In this way every borrower knows he is going to get fair treatment and is naturally encouraged to file his application.

I have dwelled upon the organization of the association because I consider that the most important feature of all. Once properly started everything should run smoothly. I found this to be true, and my work as secretary-treasurer was not difficult.

I made a trip to New Orleans and learned from the officials there what they required in each instance. The information gained there was of great help to me, and was responsible for my attempts to follow instructions to the letter, whether they appeared to me to be proper or not.

I appreciated the fact that every business organization must be run systematically in order to make it successful, and that much of the "red tape" that apparently could be done away with was in fact absolutely necessary in order to enable the Federal land bank to more easily dispose of the bonds to be issued, as well as to protect the borrowers. Consequently I tried to do what I was told to do, and I think I have profited by it. If every secretary-treasurer would study the farm-loan act more and follow more closely the instructions given him his troubles would be eliminated.

GAINING COOPERATION.

My next step was to try to gain the good will and cooperation of our members. There is but one way to do this, and that is to give them the results expected. Before I accepted an application I always explained fully to the applicant the details of the farm-loan act. I told him as nearly as I possibly could the exact expense he would be put to, and about when he could expect his money. As I was familiar with the valuations of our lands, I always tried to give him an idea of how much he would be able to borrow. As a result of this policy I believe that nearly every one of our members has been satisfied, and the fact that these people are satisfied is the greatest boost we have.

There are many individuals in our country who lend money on farm lands; and we soon found that they were circulating reports calculated to discourage prospective applicants. By tracing these reports back to their origin, we exposed the fact that they were caused by money lenders, for purely selfish reasons. As a result, these rumors had a reactionary effect, and made us more solid with the farmers.

By the methods above outlined our association has now paid out in actual cash about \$100,000, and have loans approved for almost that much more. New applications are constantly coming in, and before another year has passed we hope to have gone far beyond the \$200,000 mark.

In conclusion, I would add a word of praise to the entire working force of the Federal Land Bank of New Orleans. In spite of the volume of business they have handled, coupled with the immense task of organizing and instituting a new and untried business, they have always been prompt and courteous with us, and have done everything in their power to help us over the rough places.

TIP RAY,
Secretary-Treasurer, Madison National Farm
Loan Association, of Canton, Miss.

NO PROXIES ALLOWED.

At a meeting of the Federal Farm Loan Board December 20 the following ruling was adopted:

At the annual election of directors by national farm loan associations voting by proxy shall not be permitted.

SEMIANNUAL PAYMENT ON \$1000 IS NOW \$32.50.

New amortization tables issued to meet advance in rate of interest—Term of mortgages to be 35 years instead of 36 years.

The increase in the rate of interest under the Federal Farm Loan System

from 5 to $5\frac{1}{2}$ per cent has necessitated the issuance of a new set of amortization tables.

In the making of amortization tables the effort has always been to arrange the payments, as far as possible, in even sums. Under the 5 per cent rate it was possible to make the semiannual payment on a \$1,000-loan \$30, and retire the entire indebtedness in 72 semiannual payments with a small additional payment at the end.

Under the $5\frac{1}{2}$ per cent rate the same principle has been followed. The semi-

annual payment on a \$1,000-mortgage has been made \$32.50, but the term of the mortgage has been shortened somewhat in order to keep odd cents out of the payments. Instead of 72 semiannual payments as under the 5 per cent rate, the term of the mortgages under the $5\frac{1}{2}$ per cent rate has been shortened to 69 semiannual payments. Each of these payments is for \$32.50, except the sixty-ninth, which is for \$32.47.

The following table indicates the semiannual payments on a loan of \$1,000 at $5\frac{1}{2}$ per cent repayable in 35 years.

Payment No.	Install-ment.	Interest.	Applied on prin-cipal.	Principal still unpaid.	Payment No.	Install-ment.	Interest.	Applied on prin-cipal.	Principal still unpaid.	Payment No.	Install-ment.	Interest.	Applied on prin-cipal.	Principal still unpaid.
1.....	\$32.50	\$27.50	\$5.00	\$995.00	25.....	\$32.50	\$22.91	\$9.59	\$823.58	49.....	\$32.50	\$14.11	\$18.39	\$494.87
2.....	32.50	27.36	5.14	989.86	26.....	32.50	22.65	9.85	813.73	50.....	32.50	13.61	18.89	475.98
3.....	32.50	27.22	5.28	984.58	27.....	32.50	22.38	10.12	803.61	51.....	32.50	13.09	19.41	456.57
4.....	32.50	27.08	5.42	979.16	28.....	32.50	22.10	10.40	793.21	52.....	32.50	12.56	19.94	436.63
5.....	32.50	26.93	5.57	973.59	29.....	32.50	21.81	10.69	782.52	53.....	32.50	12.01	20.49	416.14
6.....	32.50	26.77	5.73	967.86	30.....	32.50	21.52	10.93	771.54	54.....	32.50	11.44	21.06	395.08
7.....	32.50	26.62	5.88	961.98	31.....	32.50	21.22	11.28	760.26	55.....	32.50	10.86	21.64	373.44
8.....	32.50	26.45	6.05	955.93	32.....	32.50	20.91	11.59	748.67	56.....	32.50	10.27	22.23	351.21
9.....	32.50	26.29	6.21	949.72	33.....	32.50	20.59	11.91	736.76	57.....	32.50	9.66	22.84	328.37
10.....	32.50	26.12	6.38	943.34	34.....	32.50	20.26	12.24	724.52	58.....	32.50	9.03	23.47	304.90
11.....	32.50	25.94	6.55	936.78	35.....	32.50	19.92	12.58	711.94	59.....	32.50	8.38	24.12	280.78
12.....	32.50	25.76	6.74	930.04	36.....	32.50	19.58	12.92	699.02	60.....	32.50	7.72	24.78	256.00
13.....	32.50	25.58	6.92	923.12	37.....	32.50	19.22	13.23	685.74	61.....	32.50	7.04	25.46	230.54
14.....	32.50	25.39	7.11	916.01	38.....	32.50	18.86	13.64	672.10	62.....	32.50	6.34	26.16	204.38
15.....	32.50	25.19	7.31	908.70	39.....	32.50	18.48	14.02	658.08	63.....	32.50	5.62	26.88	177.50
16.....	32.50	24.99	7.51	901.19	40.....	32.50	18.10	14.40	643.68	64.....	32.50	4.88	27.62	149.88
17.....	32.50	24.78	7.72	893.47	41.....	32.50	17.70	14.80	628.88	65.....	32.50	4.12	28.38	121.50
18.....	32.50	24.57	7.93	885.54	42.....	32.50	17.29	15.21	613.67	66.....	32.50	3.34	29.16	92.34
19.....	32.50	24.35	8.15	877.39	43.....	32.50	16.88	15.62	598.05	67.....	32.50	2.54	29.96	62.38
20.....	32.50	24.13	8.37	869.02	44.....	32.50	16.45	16.05	582.00	68.....	32.50	1.72	30.78	31.60
21.....	32.50	23.90	8.60	860.42	45.....	32.50	16.01	16.49	565.51	69.....	32.47	.87	31.60	-----
22.....	32.50	23.66	8.84	851.58	46.....	32.50	15.55	16.95	548.56	Total	2,242.47	1,242.47	1,000.00	-----
23.....	32.50	23.42	9.08	842.50	47.....	32.50	15.09	17.41	531.15					
24.....	32.50	23.17	9.33	833.17	48.....	32.50	14.61	17.89	513.26					

By means of this table it will be possible for any prospective borrower under the Federal Farm Loan System to compute the exact amount he will be required to pay every 6 months to completely retire his debt at the end of 35 years. Please bear in mind that this table has to do with a loan of \$1,000. If the reader is interested in a loan of larger size he will

find it easy to compute his payments by using the \$1,000 table. For instance, if he desires to borrow \$3,000 he should multiply these payments by 3. If he desires to borrow \$4,500 he should multiply them by 4 $\frac{1}{2}$.

Three of the Federal land banks have adopted the annual payment instead of the semiannual payment. If the annual

payment prevails in your district you will be required to make 34 annual payments of \$65 to retire a loan of \$1,000 at $5\frac{1}{2}$ per cent, and a concluding annual payment of \$62.50.

The following table shows how a loan of \$1,000 at $5\frac{1}{2}$ per cent would be amortized under the annual payment plan:

Payment No.	Install-ment.	Interest.	Applied on prin-cipal.	Principal still unpaid.	Payment No.	Install-ment.	Interest.	Applied on prin-cipal.	Principal still unpaid.	Payment No.	Install-ment.	Interest.	Applied on prin-cipal.	Principal still unpaid.
1.....	\$65.00	\$55.00	\$10.00	\$990.00	14.....	\$65.00	\$44.94	\$20.06	\$797.07	27.....	\$65.00	\$24.77	\$40.23	\$410.11
2.....	65.00	54.45	10.55	979.45	15.....	65.00	43.84	21.18	775.91	28.....	65.00	22.55	42.44	367.67
3.....	65.00	53.87	11.13	968.32	16.....	65.00	42.68	22.32	753.59	29.....	65.00	20.22	44.78	322.89
4.....	65.00	53.26	11.74	956.58	17.....	65.00	41.45	23.55	730.04	30.....	65.00	17.76	47.24	275.65
5.....	65.00	52.61	12.39	944.19	18.....	65.00	40.15	24.85	705.19	31.....	65.00	15.16	49.84	225.81
6.....	65.00	51.93	13.07	931.12	19.....	65.00	38.79	26.21	678.98	32.....	65.00	12.42	52.58	173.23
7.....	65.00	51.21	13.79	917.33	20.....	65.00	37.34	27.66	651.32	33.....	65.00	9.53	55.47	117.76
8.....	65.00	50.45	14.55	902.78	21.....	65.00	35.82	29.18	622.14	34.....	65.00	6.48	58.52	59.24
9.....	65.00	49.65	15.35	887.43	22.....	65.00	34.22	30.78	591.36	35.....	62.50	3.26	59.24	-----
10.....	65.00	48.81	16.19	871.24	23.....	65.00	32.52	32.48	558.88	Total	2,272.50	1,272.50	1,000.00	-----
11.....	65.00	47.92	17.08	854.16	24.....	65.00	30.74	34.26	524.62					
12.....	65.00	46.98	18.02	836.14	25.....	65.00	28.85	36.15	488.47					
13.....	65.00	45.99	19.01	817.13	26.....	65.00	26.87	38.13	450.34					

FEDERAL LAND BANKS RAISE INTEREST RATE.

(Continued from page 1.)

ers now than to fail to meet the needs of the farmers by sticking to an interest rate so low that while it met the conditions of six months ago does not meet the conditions of to-day.

Through the Federal Farm Loan System the farmers, as borrowers, are in the market for large sums of money on a long-time bond, permanent investment basis, and while they will not be subject to any slight or temporary change in money rates, they must, like every other borrower, be affected by a change that is radical and universal. It has been, is now, and always will be the desire of the Farm Loan Board and the officers of the Federal land banks to get money to

the farmers of the country at the lowest possible rate, and no effort will be spared to bring that condition about at all times. It is not possible, however, to establish or maintain a rate in defiance of conditions existing in all the markets of the world. It is hoped that it may soon be possible to lower the loaning rate to 5 per cent, but whether or not this can be done depends upon conditions which are beyond the control of the banks or of the Farm Loan Board.

By establishing a difference of 1 per cent between the rate paid on the bonds and the rate charged by the banks a situation is created which will enable the banks to adjust the price of their bonds to the prevailing money rates.

The situation will be plain to every farmer who remembers, first, that the banks must borrow the money before they

can loan it to the farmers; second, that money in the hands of investors has become so scarce that higher rates have to be paid than formerly. The banks can not yet borrow money at a rate quite as low as that paid by the Government. After the system has been established for a while and investors become familiar with our bonds we hope that the rates on farm loan bonds will sink to a point almost as low as that paid on Government bonds. This has been the experience in other countries. We may, however, congratulate ourselves on the fact that the Federal Farm Loan System has reduced interest rates to farmers very materially and will always stand between the farmer and the excessive charges which he has had to pay in the past as compared with rates given to other borrowers.

FARM-LOAN DIRECTORY.

A column of boiled-down information about the Farm Loan Bureau, its organization and personnel.

Location: Treasury Department, Washington, D. C.

Members of board: WILLIAM G. McADOO, Secretary of the Treasury and chairman *ex officio*; GEORGE W. NORRIS, farm-loan commissioner; HERBERT QUICK, W. S. A. SMITH, and CHARLES E. LOBELL.

Secretary: W. W. Flanagan, Assistant secretary and editor BORROWERS' BULLETIN: Frank R. Wilson.

THE FEDERAL LAND BANKS.

District No. 1.—Springfield, Mass., serving the States of Maine, Massachusetts, Vermont, New Hampshire, Rhode Island, Connecticut, New Jersey, and New York.

District No. 2.—Baltimore, Md., serving the States of Pennsylvania, West Virginia, Maryland, Delaware, Virginia, and District of Columbia.

District No. 3.—Columbia, S. C., serving the States of North Carolina, South Carolina, Georgia, and Florida.

District No. 4.—Louisville, Ky., serving the States of Indiana, Ohio, Kentucky, and Tennessee.

District No. 5.—New Orleans, La., serving the States of Louisiana, Mississippi, and Alabama.

District No. 6.—St. Louis, Mo., serving the States of Illinois, Missouri, and Arkansas.

District No. 7.—St. Paul, Minn., serving the States of North Dakota, Minnesota, Wisconsin, and Michigan.

District No. 8.—Omaha, Nebr., serving the States of Wyoming, Nebraska, South Dakota, and Iowa.

District No. 9.—Wichita, Kans., serving the States of New Mexico, Kansas, Colorado, and Oklahoma.

District No. 10.—Houston, Tex., serving the State of Texas.

District No. 11.—Berkeley, Cal., serving the States of California, Nevada, Utah, and Arizona.

District No. 12.—Spokane, Wash., serving the States of Idaho, Washington, Montana, and Oregon.

These banks are engaged in lending money to farmers on first mortgages on farm lands at a rate of 5½ per cent. The mortgages are repayable on the amortization or installment plan through periods ranging from 5 to 40 years. Loans may be made up to 50 per cent of the appraised value of the land plus 20 per cent of the value of the permanent insured improvements for approved agricultural purposes.

A farmer desiring to become a borrower should address a letter of inquiry to the Federal land bank of his district asking for the name of the farm-loan association nearest him, or for papers to enable him to organize an association if none has been organized in his community.

ANNUAL MEETINGS TO BE HELD ON JANUARY 8.

(Continued from page 1.)

A board of directors of five, it stands to reason that the loan committee will control the board, and the power of supervision over the loan committee is thus taken away from the board of directors. The secretary-treasurer can not act as a member of the loan committee unless he is a member of the association.

The Federal Farm Loan Board has ruled that no proxies shall be permitted in the annual meetings of farm loan associations. Any member who is not able to attend the meeting loses his vote.

The board of directors of every national farm loan association should elect one or more substitute members on the loan committee to serve in the absence of regular members.

THE LOAN COMMITTEE.

National farm-loan associations are intended to be thoroughly cooperative in character. In their organization provision is made for sufficient checks so that the action of an association represents, as far as possible, the judgment of the majority of its membership or at least its board of directors.

The law provides that the appraisal of lands in an association shall be made by an appraisal committee of three created by the board of directors of that association. It is intended that the determinations of the loan committee shall be approved by the board of directors.

A great many farm-loan associations have been organized with five directors and the loan committee has been made up of three members of the board of directors. Since the law requires that appraisals made by a loan committee shall be agreed upon by all members of the committee it follows that when three members of a board of directors of five constitute the loan committee those three members will be in the majority at a meeting of the board of directors. Therefore, such an arrangement nullifies that part of the farm-loan act which provides that the board of directors shall approve the valuations of the loan committee because a united loan committee of three is able to control the board of directors of five.

The Federal Farm Loan Bureau has called the attention of the Federal land banks to all associations so constituted and the Federal land banks have, in turn, asked the associations so organized to correct this condition. It is now suggested that these corrections could very well be made at the annual meetings of all farm loan associations, which will be held in January. All associations whose boards of directors consist of five members should see to it that the loan committee is made up of men outside the board of directors. If a board of directors consists of nine men, it is immaterial if the loan committee is composed of three members of the board of directors because the loan committee would be in the minority on the board.

Up to this time, it has not been the practice of the Federal Farm Loan Board to refuse charters to farm loan associations whose loan committee constitutes the majority of the board of directors. It has not been the desire of the board to unnecessarily stand in the way of the closing of loans as quickly as possible. However, after all farm loan associations at their annual meetings in January have been given opportunity to correct this condition, the Federal Farm Loan Board will feel itself justified in being a little more drastic in the enforcement of this provision of the act.

VOLUME OF BUSINESS.

On December 1 the total loans actually closed and paid out under the Federal farm loan act was \$29,824,655, the amount of loans approved \$105,136,529, and the amount of loans applied for \$219,760,740.

This total of loans applied for will be reduced by deductions and rejections to approximately \$170,000,000. The number of farm loan associations actually chartered on December 1 was 1,839.

PROTECT THE BANKS AGAINST USELESS APPRAISEMENTS.

Borrowers, secretary-treasurers and all officers of national farm loan associations should strive to protect the Federal land banks against useless appraisements.

A man in Wisconsin applied for a loan through a national farm loan association. The association admitted him. The local loan committee went to the trouble of appraising his loan. The land banks sent an appraiser who looked over the land carefully, at an expense to the bank of about \$15. When he told the prospective borrower what the appraisement was, the farmer said: "Well, I don't believe I'll take the loan. All I wanted anyhow was to get a Government appraisal of my land."

Now what is the result of this useless appraisement? Nobody is any better off. The association has made its officers and especially its loan committee do useless work. Such work does not help the association. The land bank loses \$15 and some other farmer has to wait another day for his appraisement. The borrowers must eventually pay this \$15 since such expenses put off the day when they can get dividends on their stock.

What ought to be done about these things? This is only one case of thousands of useless appraisements. The national farm-loan association can prevent most of them. How?

When a man applies for a loan, look it over and see whether he is likely to get the loan he asks for. If it is out of the question, tell him so, and say to him that he must take a smaller loan if the appraisement is lower than he thinks it should be.

If he can not use the smaller loan, do not accept his application.

See to it that the borrower will accept a reduced loan if he cannot get what he asks. Then he will not say after appraisement: "I can't get along with so small an amount. I won't take the loan."

Be sure that the prospective borrower actually and in good faith means to take the loan. It is a shame when an appraiser spends his time and your money on any application which is not made in good faith.

The Farm Loan Board has considered the plan of requiring every prospective borrower to deposit the money to pay for his appraisement when he makes his application; but this would be a hardship to some poor men. We have made loans to farmers who would have had hard work to raise \$15, or even \$10 or \$5 before getting their loans. We do not wish to impose a hardship in any such case.

Therefore, for the sake of the prospective borrower who is out of money, for the sake of the land banks, for the sake of your association, and for the sake of the system help to abolish the useless appraisement.

The BORROWERS' BULLETIN will be glad to get reports showing how economically farm loan associations are operated. If you think your farm loan association has been carefully managed, compute the cost to members per \$1,000 loaned and let us have the figures. These reports will provide interesting comparisons.

COMPLAINTS OF DELAY ONLY ADD TO DELAY.

Banks are working with all possible speed to care for accumulated business—Applications to be cared for at the earliest possible moment.

As soon as the Federal farm loan act became a law, in July, 1916, farm loan associations began to be organized in practically all sections of the United States.

Merely because the law had become a reality, a great many would-be borrowers assumed that the money was already available. It did not occur to them that the country had to be divided into Federal land bank districts; that the banks had to be located; that the capital stock of the banks had to be subscribed; that competent officials had to be chosen for all of these banks; that appraisers had to be selected, and bookkeeping systems had to be adopted before the banks would be in shape to lend money. Consequently, hundreds of farm loan associations were completely organized and ready to borrow before the Federal land banks were organized and ready to serve them.

A great many of these associations sent their preliminary organization papers to the Federal Farm Loan Bureau, in Washington, expecting that charters would be granted immediately and money become available at once. There was nothing for the Federal Farm Loan Bureau in Washington to do but to hold them until the organization of the banks and then send them to the banks to be acted upon through the regular routine.

It was not until the summer of 1917 that the Federal land banks actually began to lend money. Their lending operations at first were necessarily slow, because a new force of appraisers had to be broken in, and all of the work of the Federal land banks was new work, being handled by pioneers, who were hewing their paths as they traveled.

The volume of money actually paid out to farmers has been gradually increasing as the weeks go by until recently it has exceeded \$2,000,000 in a single week.

But the fact that scores of associations filed their applications as early as 1916, and the banks were not ready to serve them until more than six months later, has caused a great deal of complaint. Many letters are received at the Federal Farm Loan Bureau complaining of delay in making of loans. Most of these complaints give the date of their original application to prove that there has been neglect on the part of the Federal land banks.

By the time the Federal land banks were ready to lend, the total of applications awaiting their action was in excess of \$100,000,000. The Federal land banks had to wear this accumulated volume down gradually, and they have done it with all possible speed, maintaining the proper degree of conservatism.

These complaints of delay, which keep constantly coming to the Federal Farm Loan Bureau, accomplish no purpose because the Federal land banks are taking care of the business with all possible speed. They serve rather to delay the accomplishment of their purpose, because

APPRAYER POINTS OUT SOME COMMON ERRORS OF FARM LOAN ASSOCIATIONS

ASSOCIATION NO. 3.

There is reproduced herewith the report of an appraiser to the Federal Farm Loan Board. It is published because it contains some observations regarding the conduct and operations of farm loan associations which may be of interest and benefit to many other farm loan associations. It calls attention to some of the shortcomings of average associations, and may afford a few suggestions as to how these cooperative bodies may attain their purpose with the least resistance.

The report, with name omitted, follows:

First, let me say, it seems to be the custom of all local loan committees to value a farm at its full value, then add the value of the buildings; hence an overvaluation.

ASSOCIATION NO. 1.

One member of the loan committee seemed to be the leader and what he said or did was agreed to by the other two members. It seemed this man advised most of the applicants to apply for more money than they needed, as "the appraiser will cut you down anyway." In nearly every instance this loan committee valued the farms at their total value and added the value of the improvements to it. Also, this loan committee, in valuing buildings, erred in placing values by estimating what the buildings would cost at the present time, instead of what they were actually worth.

ASSOCIATION NO. 2.

I consider this association a model. The secretary-treasurer is cashier of a small bank, has a good knowledge of descriptions of lands, etc., and had a conveyance and was ready to show me the farms within 30 minutes after I arrived. The loan committee is composed of three of the most substantial farmers of the community. This loan committee was careful in making its appraisements, and, as a result, not one of the loans had to be reduced. I learned that, after this committee had inspected the farms, four applications for loans had been refused, and, of course, these applications had not been submitted to the land bank. When I inquired as to the committee's reason for not recommending these four applications, one of the members of the committee simply said, "They didn't want loans; they simply wanted to sell their farms to the Government."

answering the letters divides the energy and time of bank officials.

The secretary-treasurer of an association in Montana recently wrote a letter of complaint to the Federal Farm Loan Bureau, which was forwarded to the Federal Land Bank of Spokane for answer. The reply which President O'Shea gives this inquirer could be multiplied a great many times. In view of the fact that it enumerates the obstacles under which these banks have operated, and because it provides some information which will be of interest to all would-be borrowers, the letter is herewith reproduced:

DEAR SIR: We acknowledge the receipt of your letter of the 20th ult. with which you inclosed certain applications for loans, the contents of which are duly noted.

We have also come into possession of your letter dated November 15, addressed to the Federal Farm Loan Bureau, in which you complain that your association has had no attention from this bank. Our records show that the first papers received from that association reached us on September 29, that certain of the papers had to be returned for correction and revision, and that same have only now come back to us with the corrections made.

In your letter you quote one of your local bankers as saying that the loans will be completed but, "it will be a year, it may be never."

ASSOCIATION NO. 4.

I found the secretary-treasurer of this association lived on a farm some 3 miles from town, and didn't get his mail at the address given the land bank. He was a man of only fair education, no business experience, and could not describe or locate a tract of land where the description was regular. As a result, many of the descriptions given in the applications were wrong and incomplete; hence it took considerable time for me to go to the records to compare and secure the correct descriptions. Two members of this loan committee were miners and knew practically nothing of land values and absolutely nothing about the requirements of the farm-loan act. They had recommended applications from members who were not eligible (there happened to be two of them); had recommended excessive and hazardous loans, etc. In fact, this loan committee was composed of three of the least-informed and weakest members of the association.

ASSOCIATION NO. 4.

This association is an exception. The secretary-treasurer is a real estate agent, and in reading the farm-loan act he construed it as meaning that 50 per cent of the appraised value of the land would be loaned, such value to be determined by the local loan committee. He had appointed three of his close friends as the loan committee. This loan committee of three also were directors and formed a majority of the board. They signed the loan committee's report and also the directors' approval. About three-fourths of the members of this association had contracted to buy lands from the secretary. The lands he had contracted to sell them were all unimproved, timbered, and undrained. If they were to pay \$4,000 for 80 acres of this timbered land they applied for a \$4,000 loan, and the loan committee had appraised the land at \$8,000. And these applicants were practically all irresponsible tie-cutters. Most of them owned no live stock of any kind and no farming tools. They had agreed to buy from 80 to 160 acres of this raw land from the secretary when, as a matter of fact, they couldn't possibly handle even 5 acres. The secretary had promised to secure Government loans for them for all, and in some cases more, than the land cost them and they were paying more than the land was worth. In these cases there was just one thing for an appraiser to do and I did it.

It seems to be the habit of most loan committees and boards of directors to recommend and approve loans that are excessive and to accept members who are not eligible. They simply leave it up to the appraiser to reduce the loans or to decline them entirely, so if there happens to be any "kicking" the appraiser will be blamed.

You further ask how much "red tape" you will have to go through, and many other questions of like kind are propounded in your letter. We beg to advise that we have on file with us 13,900 applications for loans which we have endeavored to assimilate in the few months in which we have been organized; that during such time we have had not only to perfect our organization but have also organized 277 national farm loan associations in our district; that we have made appraisals and approved loans approximating \$15,000,000; that we have loaned out in actual cash approximately \$5,500,000; and that we are now completing loans at the rate of \$2,000,000 per month. With this information you may reply to the banker you quote.

It is our purpose and desire to give service to applicants in the order in which the applications are filed here, and we will assure your attention and consideration in due time and in the order in which you are entitled to service.

There are many matters mentioned in your letter to which we would be glad to give attention were it not that the demands on our time are great, but through it all it would seem as though you found satisfaction in quoting what is intended to be the discrediting comment of those whose activities will be affected through the operations of the Federal land bank. It is contrary to reason to expect the parties who have been receiving interest rates as much as double what the land bank charges to speak kindly of it; but one naturally would expect the farmers, whom it is intended to serve and whom you as an officer of the association will be, to have faith and confidence in the institution which is in-

tended to bring to the farming people more benefits and advantages than may now be understood by them.

There are many things to be done from the filing of an application for a loan to the final completion of it and the securing of the approval of the securities for bond issues, and when considering same this bank is completing business as fast as it can be done with due regard to safety and proper procedure.

Very truly yours,

D. G. O'SHEA,
President.

COLORED FARMERS TELL HOW THEY GOT RELIEF.

Money borrowed from New Orleans Federal Land Bank helps them to conduct their farming operations more satisfactorily—Fair treatment given.

One of the purposes of the Federal farm-loan act is to provide low-priced credit to those farmers to whom cheap credit has not been available in the past. One of the gratifying communications which has come to the Federal Farm Loan Board was received by the Federal Land Bank of New Orleans from a national farm-loan association composed of colored farmers at Grenada, Miss. This letter was voluntarily written. It follows:

GENTLEMEN: At the last meeting of our association, it requested me to write you on behalf of the association and thank your bank for the treatment we have received at your hands. The members of our association are unanimous in their praise of your bank, and we desire you all to know how we feel.

While your bank is doing a great good among all the farmers, I believe it is the colored farmer that is deriving the most benefit from it. As a rule, the colored farmer is the small one, and when he goes to borrow he pays more interest than anyone else. Your bank enables him to get cheap money and helps him to become a landowner. This association is a colored association. Every member is a colored person. I do not know whether you knew that or not.

As soon as we read about the Federal land bank, the colored people of this county began to plan to borrow money from it. The white people of this county did not seem to be much interested, and as I was a landowner and wanted to borrow money from the Federal land bank, I decided to try to organize an association among the colored people.

I wrote the bank and got all the information I could. We had our first meeting in March, but it was April before we got started. We had a lot of trouble at first in getting our applications right, but we kept trying until you approved them. Out of 36 applications you only turned down two and cut some of the others, and they all accepted the amounts you offered them.

Out of the 34 applications you accepted, 23 have gotten their money and the others would have, except that there was something the matter with the title to their lands and it took some time to get that right. Our attorney tells us that these others will get their money in a few days now.

Most of our members have not had much left after paying their debts, but they now will have to pay but 5 per cent, when they have been paying 8 per cent and often more. This will mean they will have some money at the end of the year to buy other things. Some of our members have used their money to improve their places and to buy cattle and hogs. You know the boll weevil is now in this section, and we can raise but little cotton and have had to go into other things.

We have just sent in 12 more applications and will have some more in shortly. I hope you can get these lands appraised without much delay.

This is a long letter, but I wanted to tell you what you have done for us and to thank your bank. If I can ever do anything to help your bank, I will be glad to do so.

Your friend,

J. D. DARLOW,
Secretary Farm Loan Association,
Grenada County.

A BIG SAVING.

EDITOR BORROWERS' BULLETIN:

I received a copy of the BORROWERS' BULLETIN, issued November 1, 1917, and also received the October issue. After I have read them I pass them to my neighbors to read and instruct them to do likewise (pass them on). The Federal farm loan association is going to be a great help to the farmer and stock-raiser in general. With 5 per cent money the average farmer can stay in the business, where, before the Federal farm loan came into existence the farmer usually paid 10 per cent and that on a short time, say 3 or 5 years, and if the farmer had two bad years in succession and could not pay the interest without sacrificing some of his live stock, in what shape would the farmer be, if he wanted to farm after paying off the principal?

The money borrowed by me of the Federal farm loan association went to pay off old debts, thereby reducing the interest one-half. With the money thus saved, I expect to make permanent improvements, and in due time I expect to make the farm pay.

Yours very truly,
CHARLES C. SPEISER,
Ekalaka, Mont.

PLEASED BORROWERS PRAISE FARM LOAN ACT.

Three letters from borrowers tell how individual problems of finance have been solved—Big saving in money paid as interest.

If "the proof of the pudding is in the eating," the proof of the efficacy of the Farm Loan System ought to be found in the experience of some of its users.

There were received recently, by the Federal Farm Loan Board, three letters from pleased borrowers under the Federal Farm Loan System which are deemed worthy of reproduction.

They follow:

AUSTIN, TEX., December 3, 1917.

EDITOR THE BORROWERS' BULLETIN:

Some years ago I purchased, for \$16,000, a 268-acre farm, 5 miles from the city, paying \$4,000 cash and 8 per cent interest on the deferred payments.

I worked the farm on the one-third and one-fourth plan, here customary, with results most unsatisfactory. I always drew a blank when it came to tenants. Mine were invariably a careless, shiftless lot, which meant a new set of tenants every year or two.

In the meantime, (still living in the city, as my wife dislikes the country) I reduced the debt to \$6,000.

When the farm loan bank came into existence, I joined the local association, applied for and secured a loan of \$6,000 and took up my indebtedness. I then secured reliable men with families, to whom I pay a monthly wage, and in addition give an interest in the crop as a further incentive. The difference between the money now paid the farm loan bank and the amount formerly paid in interest at 8 per cent and on the principal, I am using for betterments of all kinds—in fact trying to introduce new methods and experimenting with different crops.

I consider the creation of the farm loan banks the most beneficial legislation ever enacted, and believe it will be the means of advancing the agricultural interests of this country at least 10 years.

G. A. BAHN,
Member Capital City Farm Loan
Association, Austin, Tex.

HICKMAN, CAL.,
R. F. D. Box 68,
December 4, 1917.

EDITOR THE BORROWERS' BULLETIN:

The Hickman National Farm Loan Association, which received charter No. 9, levied an assessment on its members of one-tenth of 1 per cent of their loans. This was done 10 months after the association first organized, and all the members had received the money from the loans they had applied for.

This cost to our members of \$1 per \$1,000 borrowed paid all the expenses of the association to date, leaving \$10 in the treasury, besides a record book and association seal on hand.

Considering we have a minimum membership of 10, and that these live far apart, one member living 25 miles from the secretary-treasurer, we feel that we have been "keeping down costs."

Respectfully,
GEO. H. SAWYER,
Secretary-Treasurer, Hickman
Farm Loan Asso.

ROUNDPUP, MONT.,
December 4, 1917.

EDITOR THE BORROWERS' BULLETIN:

In answer to your request for letters from borrowers will say I homesteaded in 1912 on 160 acres; in 1914 got 120 acres additional; also bought 720 acres; and in January, 1917, we organized the Lake Mason National Farm Loan Association, with about 15 members, and applied for loans, which have all been received, and much more additional since.

We have about 30 applications in, some of them over three months now, and waiting for the appraiser.

I paid off \$2,800 debts; bought a light tractor and plows; also other tools; have broken 100 acres more land and plowed over 200 acres of stubble, and lots of other work. So I am satisfied the Federal loan has been a godsend to me.

EDWARD REICHARD,
Box 76, Roundup, Mont.

POWERS LIMITED, POSSIBILITIES GREAT

A farm loan association can not engage in other lines of business.

Farm loan associations as corporate bodies are not permitted to enter into any other line of business except that of procuring loans for their members as provided in the Federal farm loan act.

The Federal Farm Loan Board recently received a query from a registrar of one of the Federal land banks asking if a farm loan association had a right to engage in other enterprises. The letter from a member of the Farm Loan Board, replying to this inquiry, follows:

We are in perfect harmony with the opinion which you express, viz., that national farm loan associations as bodies corporate can not enter into any other lines of business. By this, of course, we all mean that the association as such can not enter into these activities; nor can either the credit or the cash of the association be pledged in such transactions; nor can the association enter into any legal obligations in them. The National Farm Loan Association is a body organized for the purpose of borrowing money, and can only enter upon such activities as are legitimately implied in the relation of borrowers.

However, there is no reason whatever for the usefulness of the association to stop with borrowing merely because their legal powers stop there. The history of cooperation among farmers teaches that the best results are accomplished by having each object of cooperation attained through a separate organization for that purpose. A Danish farmer, for instance, will belong to the local Landschaft

for borrowing money on a mortgage. He will belong to the Raiffeisen Bank for the purpose of borrowing money on personal credit. He will belong to a horticultural association for his fruit-growing activities; another association for the marketing of his honey; an egg-handling association for eggs; a cooperative live-stock breeding association; a cooperative creamery; and probably he will belong to the national association which slaughters hogs and cures and sells bacon and hams. He may thus belong to a dozen different associations. Many of these associations will have about the same membership as his loan mortgage association, but they will have different objects. There is no reason why the farmers united in any national farm loan association should not also associate themselves together for buying, for selling, for personal credit at the bank, or any other cooperative purpose. They may form a marketing association or a beef club for the purpose of supplying each other with fresh beef. Many of these associations will contain only a part of the membership of the National Farm Loan Association, and other persons also will be invited in, but this board would look with favor upon such cooperative activities centered around the National Farm Loan Association as to fill the neighborhood with legitimate cooperative industry and effort.

MAY USE POST OFFICES.

Notices of farm loan associations may be posted in Federal buildings.

Some time ago complaint was made that postmasters refused to permit the posting of national farm loan association notices in post offices. They did not understand that this was in fact Government business.

The Federal Farm Loan Bureau realized that the right to so display national farm loan association notices might prove valuable to the farmers and took the matter up with the Postmaster General, with the result that the following letter has been received from Hon. J. C. Koons, First Assistant Postmaster General:

With reference to your request that postmasters be authorized to display in post-office lobbies advertising matter presented by local organizers of national farm loan associations, I wish to inform you that instructions have been issued to all postmasters to display in a conspicuous place in the lobby any posters of this character that may be presented to them.

MORTGAGES TO BE MERGED.

When new loan is granted after reappraisal, new mortgage is executed.

Now that a great many farmers have procured their loans under the farm loan system, some of them will soon be desirous of taking advantage of that section of the farm loan act which provides that where increased value is shown re-appraisals may be called for and the size of the loan increased if there is additional value shown.

The question has arisen as to whether or not such a borrower shall execute a new mortgage in addition to the one already in existence.

The Federal Farm Loan Board has ruled that where additional loans are granted on re-appraisals of lands already under mortgage an entire new mortgage shall be executed for the full amount of both. This does not mean that the new mortgage will prove more expensive than if only a second mortgage were given. It costs no more to record a large mortgage than a small one, and the title would have to be brought down to date anyhow.

RULINGS OF BOARD

Below will be found several rulings of the Federal Farm Loan Board which have not been published in previous farm loan bulletins:

Where in the organization of a national farm loan association the accepted number of borrowers is less than 10, or the amount of approved loans is less than \$20,000, a charter will not be granted.

A farm loan association may appoint a substitute member of a loan committee to act in any case where a regular member of the committee is incapacitated or otherwise unable to act.

Husband and wife owning lands in severalty may each borrow on their respective lands, the limit to each being \$10,000.

Where additional loans are granted on reappraisal of lands already under mortgage a new first mortgage should be executed for the full amount.

Loans may be made upon one tract of land for the purpose of making improvements upon another tract owned by the borrower, but such loans should not be regarded with favor and should not be made at all unless both tracts of land are under common management and are situated in such proximity to each other as to constitute practically one operative agricultural unit.

SEES GOOD EFFECTS.

Farm loan act is helping farmers to improve their conditions.

Mr. Goode Montgomery, an attorney at Laurel, Miss., who has been observing the operations of the Farm Loan System in his State, has written the following letter to the Federal Land Bank of New Orleans:

Our farmers have been obtaining money from the Federal land bank for approximately four months, and each man who has obtained a loan has expressed himself as highly pleased with it. There has been a very material relief among the farmers, a great many of whom have been shifting indebtedness from one place to another, paying a high rate of interest in addition to continual expenses for drawing, acknowledging, and recording papers. These loans have brought in a considerable amount of good live stock, and several of the farmers have built good fences, and some have improved their houses.

We have now on hand almost 30 new applications which are to be appraised within the next few days by our loan committee, which shows that our people who have not obtained their loans are thinking well of the loan. A goodly number of these loans are for farmers who desire to buy farms and move upon them which I think is a healthful sign.

ELIMINATING CORRESPONDENCE.

A great many letters come to the Federal Farm Loan Bureau in Washington from prospective borrowers which have to be forwarded to the Federal land bank of the district in which the borrower lives. There is published in the BORROWERS' BULLETIN a Farm Loan Directory, which gives the location of all the Federal land banks and the territory included in each district. If you will refer to that directory, you will learn where the Federal land bank of your district is located, and if you desire to become a borrower, write that bank direct and save time.

HOW TO AVOID DELAY.

This local association assumes responsibility of rejecting bad loans.

That loan applications are approved and loans closed more promptly where the spirit of conservatism prevails among the officers of a national farm loan association is indicated by the following report of an appraiser who visited a certain farm loan association in Missouri:

Land in this territory is selling for low prices when considered from a productive standpoint. Community, transportation, markets, roads, schools are good; in fact, much ahead of most localities where similar prices prevail. The committee of this organization is all a person could wish for—conservative men of high standing and all good managers. There is not a loan in the whole list which is not both a high-grade moral and physical risk. A man could not pick a better list of securities in the limited territory we covered. They did not accept applications which would not make excellent securities. The weeding process was well taken care of before the applications went in. I think you will find that every one on my list will be a good loan."

It is needless to say that an association conducted as this one is accomplishes its purpose far more quickly than an association which overvalues, necessitating many reductions and continuous bickering with the officers of the Federal land bank.

PAY UP PROMPTLY!

Farmers must realize importance of meeting installments when due.

Many mortgages given under the Federal farm loan act have now been in existence for six months, and the time has come for these borrowers to make their first amortization payments to the Federal land banks.

Too much emphasis can not be laid upon the necessity of making these payments promptly. Of course, the Federal land banks possess the authority to enforce these payments with proper penalties, but the beneficiaries of the farm loan act ought to make it unnecessary to apply such penalties.

The degree of promptness exercised by the borrowers in making these first amortization payments will provide an important indication of the success or failure of this first really great cooperative enterprise in which American farmers are engaged.

Be prompt and demonstrate that you have an interest in this system greater than that represented by your mere desire to get a loan at a low rate of interest and on favorable terms!

BIG BUSINESS FROM IOWA.

The Federal Land Bank of Omaha recently reported that applications for loans are now coming from Iowa at a rate of \$1,000,000 per week. On account of the low interest rate enjoyed by Iowa farmers heretofore, that State did not seem to be in a hurry to take advantage of the Federal farm loan act, but the amortization feature of the Federal farm loan mortgages appealed strongly to Iowa farmers where land values are high and individual mortgages consequently large.

ENLARGED DEMANDS ON FEDERAL LAND BANKS.

Annual report of Federal Farm Loan Board calls for helpful changes in Farm Loan Act--Operations of first year are reviewed by board.

The withdrawal of foreign capital and a considerable amount of domestic capital from the farm-loan field as a result of governmental borrowings and the more attractive interest rates offered in railway, municipal, and other investments has brought American agriculture face to face with a serious financial situation, it is pointed out in the first annual report of the Federal Farm Loan Board, submitted to the Speaker of the House of Representatives on January 3.

Millions of dollars of foreign capital which had been invested in farm mortgages in the United States have been withdrawn on account of the war; the funds of large corporations and individual investors which have been employed freely in the making of farm mortgages in the past are being kept in more liquid and available form on account of the war conditions, and a great deal of local capital heretofore loaned to farmers has been diverted because of more attractive interest rates in other fields.

All of this has thrown a tremendously increased burden upon the newly created Federal Farm Loan System. Not only has the reduction in the amount of available funds for farm loans increased the demands upon the Farm Loan System, but it has multiplied the difficulties under which the Farm Loan System operates, because the capital which the Federal land banks lend to farmers is procured by the sale of farm-loan bonds, and the sale of these bonds has been interfered with by this abnormal financial condition. To provide relief from this condition the report of the Federal Farm Loan Board, which is signed by the Secretary of the Treasury, William G. McAdoo, ex officio chairman; George W. Norris, Farm Loan Commissioner; Herbert Quick, W. S. A. Smith, and Charles E. Lobdell, members, urges upon Congress the importance of authorizing the Secretary of the Treasury to purchase farm-loan bonds during the coming year to the extent of \$100,000,000 if necessary, these bonds to be resold to investors as the demand for them develops. The Farm Loan Board urges this step as a means of providing the basic industry of the United States with the capital needed to increase food production during the war, to stabilize interest rates, and to encourage the purchase of the bonds by relieving purchasers of the fear that the bonds may be pushed for sale at unpropitious times.

Briefly the other recommendations contained in this annual report are:

That the cooperative farm loan association, or borrowing group, provided under the Federal farm loan act, be given another year of trial before any consideration be given to amending the act to make the method of borrowing more direct.

That the maximum loan limit permitted to the individual borrower be increased from \$10,000 to \$25,000.

That the denominations of farm loan bonds be changed from \$25 to \$20 and from \$50 to \$40 to eliminate the fractional cent in the computation of semiannual interest.

That the provision enabling a borrower to pay all or any part of his indebtedness after

it has run five years in multiples of \$25 be amended to enable him to pay all or any number of annual amortization payments on any interest-paying date. These mortgages are retired by fixed annual payments and limiting advance payments on indebtedness to the size of these fixed annual amortization installments would eliminate bookkeeping.

That the provisions governing joint stock land banks be amended to allow such banks to operate in more than two States; to increase their limit of bond issues to 20 times their capital stock instead of 15, and to raise the authorized rate of interest from 6 to 6½ per cent. This is not to be confused with the authorized maximum rate of 6 per cent allowed the Federal land banks.

A most interesting feature of the annual report is the discussion of the cooperative national farm loan associations and the acceptance of the principle of cooperative borrowing by the American farmer. It is pointed out that up to December 1, 1917, 1,839 of these cooperative associations had been chartered by the Federal Farm Loan Board; applications had been filed for \$219,750,740 of loans; the 12 Federal land banks had approved loans amounting to \$105,136,529, and loans had been actually paid out to farmers amounting to \$29,824,655. In addition to the 1,839 associations actually chartered 1,985 such associations were in process of organization, getting ready to be chartered.

The obstacle pointed out in the cooperative association is not any failure on the part of the farmer to participate in this first Nation-wide effort at agricultural cooperation in America, but rather one of efficient administration. The board raises the question of whether or not the advantages of cooperation, as thus provided, outweigh the disadvantages of greater delay in the time of closing loans resultant from cooperative group action. The report says:

It is impossible for this board to express at this time, any unanimous and well-considered opinion on these subjects. The matter is alluded to only for the purpose of calling it to the attention of the Congress, in view of the possibility that a year hence the board may feel called upon to make some definite recommendation for such an amendment of section 15 as would permit prospective borrowers to resort to the method of individual contract rather than to the cooperative method.

Another important phase of the annual report is the discussion of land titles and their investigation. It is pointed out that the Federal land banks, in line with all conservative farm-mortgage operators, have required each borrower to furnish an abstract of title. The cost per loan for abstracts averages not less than \$10 each, which, on a basis of 50,000 loans to be closed during the first year, aggregates at least \$500,000. The examination of these abstracts by the Federal land banks costs \$3 each or another \$150,000, making a grand total of \$650,000 expended to eliminate hopelessly defective titles. One Federal land bank found only two incurably bad titles in 1,056 examinations. The board cites this as an economic waste, which should be eliminated if it can be done with entire safety, and promises to make further investigations and submit recommendations at a later date.

Regarding the cost of operating the 12 Federal land banks the report calls attention to the fact that although the Federal Farm Loan Act permits a "spread" of 1 per cent between the rate of interest on the bonds and the rate of interest to the farmer, the board early decided to limit this "spread" to one-half of 1 per cent plus the premium charged on the bonds, and the report as-

serts that in spite of the fact that a large proportion of the early expenses of the banks was for "putting business on the books," the impairment of capital does not exceed 6 per cent, and that such impairment is not really an impairment, but an investment for business. At the present rate of operation this impairment will be overcome in the second and third year.

The report reviews the arrangement for the sale of farm-loan bonds, one-half of the issue for the first six months being contracted for by a syndicate of bond houses, the other half being offered to the public direct. It is the opinion of the board that without this contract with the bond houses, which enabled it to reach a large clientele of conservative investors, the operations of the Federal land banks would not have been adequately financed during the first six months. The board, however, does not look with favor upon any permanent arrangement with bond houses for the sale of farm-loan bonds, and urges the authorization to the Secretary of the Treasury to buy bonds as an emergency step in the campaign to educate the public concerning the merit of farm-loan bonds as an investment.

The report reviews the activities of the Farm Loan Bureau during its first year. These activities included the Nation-wide investigation preceding the location of the banks; the location of the banks on the basis of total land area; area of land in farms; area of improved land in farms; number of farms mortgaged; amount of outstanding farm mortgage indebtedness; value of farms and buildings; gross value of farm products; total population; rural population; and the development likely to occur by reason of the operations of the Federal Farm Loan System.

THE LAND OF OPPORTUNITY.

President O'Shea, of the Federal Land Bank of Spokane, recently forwarded to the Federal Farm Loan Board a loan application which was more explicit than the usual run. Where the blank application called for a statement of the products of the borrower's farm, the borrower included, among other things, a set of triplets which had come to his household within the past year.

LARGER LOAN LIMIT DESIRED.

In the annual report of the Federal Farm Loan Board to Congress there is contained a recommendation that the maximum loan allowed to a single borrower be increased from \$10,000 to \$25,000. It has been found that in certain parts of the United States, where land values are high and acreage also large, a \$10,000 loan limit does not represent 50 per cent of the value of a great many farms whose owners apply for loans.

Strive to keep up active interest in your farm loan association even after your loans have been granted. Others in your neighborhood will want to get loans later, and they are entitled to the best service you can give them. Anyway, it is not charity on your part to serve them promptly, because to extend the advantages of the farm loan act means the bringing of new capital to your community and helps everybody in your vicinity.

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The Borrowers' Bullet

OF A LOAN.

ISSUED BY THE FEDERAL FARM LOAN BUREAU, U. S. TREASURY DEPARTMENT

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VOL. 1

WASHINGTON, D. C., FEBRUARY-MARCH, 1918

NO. 4

HOW BIG IS A FARM?

It depends upon the man, the place, and conditions. Some are big-little farms and some are little-big ones, when returns are considered.

Once a man in reporting the apparent size of a meteor said that it looked about as big as a basket and had a tail about as long as a piece of string. The accuracy of this statement was scarcely that which is called for by the exact sciences, but it was the best he could do. To state the exact apparent size of a detached body in the skies is not an easy thing, as has often been shown by groups of people endeavoring to tell how large the moon appears to be.

How big a piece of land must be before it can be called eligible for a loan under the Federal farm loan act as a farm is a very practical and important question for the Federal farm loan system. It may seem an easy one, but it is not. It has received very careful attention, and a decision has been made. This decision will not be satisfactory to every prospective borrower, but it is believed that it will be the result of analysis and of experience.

Let us see what sort of "farmers" have applied for loans.

A group of people live either in the outskirts of a large city or near the corporation line. They have residential lots of from a quarter of an acre to 5 acres. The land is regarded as very valuable because of the nearness of the city and the prospective or present demand for it for city homes. They have set out orchards, or vineyards, or built greenhouses, keep poultry, or grow some truck. Loans on these lots would be perfectly safe, perhaps, but ought they to be made under an act which was passed for the development of agriculture? Is it contemplated that under this act money should be loaned to such suburbanites whose agriculture is secondary to their other interests? Ought they not to go to the city building and loan association if they wish to do cooperative borrowing? In most cases they can do so freely, and receive the advantages of cooperation under a system which has been well worked out for many years.

It is sometimes a very close question; but it should be solved by asking whether or not the loans if made will operate for the development of agriculture.

Here is another case: A very efficient farmer with a genius for intensive farming asks a loan on land situated in a neighborhood where land is worth, say, \$50 an acre. His land is only so much better than his neighbors' land as he has made it through good management and hard work. He can show that on 10 acres of land, through intensive agriculture or the practice of a specialty he has for years made returns greater than

DELAY IN DELIVERY.

Owing to the fact that all Government printing pertaining to the prosecution of the war is given precedence at the Government Printing Office, the issuance of the BORROWERS' BULLETIN must necessarily be irregular. However, our aim will be to issue it each month.

THE COST OF A LOAN.

Under the Federal farm loan system the expense of securing one comes but once in a generation.

An Ohio borrower in writing the following letter indicates that he thinks he has a grievance against the Federal farm loan system. He has a legitimate grievance against some one or something, but is it against the system? It would seem so. He is criticizing the system, when his real grievance is against the general administration of the United States. Furthermore, his grievance is not so great as he thinks it. Here is his letter:

Please will you publish in the BORROWERS' BULLETIN how much it cost me to secure a loan of \$1,200 from the Federal land bank at Louisville, Ky.? Here is the statement:

Application	\$0.50
Application fee	.50
Appraisal	4.00
Abstract bringing down to date	2.25
Extra work for my abstractor requested by the bank	65.00
For affidavits	2.50
Stamps for note	.24
5 per cent stock	60.00
	139.99

This is over 111 per cent of the loan. Certainly some help to the farmer!

This is an extreme case, but it has in it the elements of many cases. Let us examine it.

The so-called "expense account" is made up principally of two items amounting to \$125—\$60 for stock in the national farm loan association and \$65 for the abstract of title.

The \$60 item is not a part of the expense of the loan. The borrower will get it back dollar for dollar when his loan is paid, and the bank should soon be able to pay dividends on it. These dividends will go to his association and will later be absorbed in whole or in part to pay the expenses of the association or will be paid to the borrower in whole or in part in dividends on his stock in the association. The association will decide as to what is done with it, and the borrowers control the association. So this is not a part of the expense of getting the loan.

The \$65 paid to the abstractor he would have to pay if he had got his loan of any-

EMPLOYMENT OF ENGINEER-APPRASIER

John T. Whistler, of Denver, made chief—Irrigated and drainage lands require technical knowledge and training, which the ordinary appraiser can not have.

Early in the operation of the Federal land banks it became apparent that many problems were involved in determining the value of irrigated lands for security which the regular appraiser has not the technical knowledge and training to solve. For example, application may come in for a loan on a piece of irrigated land which is bearing good crops and which, to all external appearances, provides excellent security. A drainage engineer, accustomed to look for indications of need for drainage might, however, note a spot on this tract or some adjoining tracts which would indicate to him that the ground water is rising too high for that particular spot. Further inquiry and investigation might disclose the fact that this spot had only appeared the year before and that wells in that vicinity which 10 years ago were 75 feet to water are now, perhaps, but from 5 to 10 feet to water. The deduction in this case is plain, that unless drainage is provided the farm will become water-logged and alkalinified within a few years at most and the apparent security offered for the loan be materially lessened, if not entirely lost.

In the early development of most irrigation projects there is ample water supply for all users. The supply may continue sufficient for all users for 10 or 20 years or longer. The distributing system may be built, however, for a much greater area than the water available will supply. The inference is plain that there will come a time when some of the irrigators will be short of water, and the apparent security offered by farms in the early years is in reality much less when the actual water supply available is considered. An investigation of the project in the field and examination of water filings and the stream-discharge records by one accustomed to look for these troubles and experienced in their application will usually enable him to bring the attention of the Federal land banks and of the board to these matters, and so avoid the making of bad loans.

In cases such as that just mentioned the laws in some States, depending perhaps on the contract which the water user may have entered into with the man for or builder of the irrigation system, will give the superior right to the earlier users even under the same ditch; in other States their water rights will be prorated. It is necessary to have these matters clearly presented for consideration of the banks and the board before loans are

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ACKS ON FEDERAL FARM LOAN SYSTEM

Made in Bankers' Meeting at Spokane Which are Later Modified—President O'Shea's Reply Applicable to Entire System.

Borrowers under the Federal farm loan system should be interested in the fact that what seems to be a campaign of attack upon it is under full swing. Newspaper articles are appearing in numerous quarters. A typical attack of this sort was made by Mr. George L. Ramsey, a banker of Helena, Mont., in a bankers' meeting at Spokane. Mr. Ramsey charged that the Spokane land bank had operating expenses to the amount of \$120,000 last year, and an income of only \$15,000; but the next day he changed the figures to \$82,551.20 for operating expenses and \$25,460 for income. He criticized an investment of \$6,439.22 for furniture and office equipment. Among other things he said:

Mortgage bankers have nothing to fear at present from the Federal land bank competition. At some time when money rates are low and there is a large supply of capital Federal land banks may then be selling at a point that will curtail the operations of mortgage bankers and insurance companies.

There are four great classes of producers in America—the fisherman, the woodsmen, the miner, the farmer. If you are going to allow the farmer to issue tax-free bonds against his mortgages, why should you not also allow the fisherman to issue tax-free bonds against a mortgage on his ship, the woodsmen to issue tax-free bonds against a mortgage on his sawmill, and the miner to issue tax-free bonds against a mortgage on his mine? There is no reason why the farmer should be a favored class of borrowers—the Government is offering them a support which they do not need and did not ask for.

"Bankers," says the Spokane Spokesman-Review, "are reluctant to admit having had any part in arranging the program that brought Mr. Ramsey to Spokane and placed him on the afternoon program where Mr. D. G. O'Shea, president of the Federal land bank of Spokane, could not answer the attack." Mr. O'Shea prepared a statement for the Spokesman-Review, which in part says:

There has been what appears an organized campaign of misrepresentation and misstatement manifestly intended to break down and discredit the farm loan movement before it has had time to perfect its organization and get into actual operation. The discerning public appreciates the motive of such objectors and can, doubtless, discover the Ethiopians in the woodpile. But when actual figures are given and published, and widely circulated and reiterated, which are grossly incorrect, silence may be deemed to be consent, wherefore it may be permissible to submit corrections that the public be not misled.

The strategists who desire to demolish an institution that they have as yet found no means to run or control opened the barrage fire in the morning paper by reiterating a statement that the land bank's expenses in 1917 were \$120,000 and its earnings \$15,000, and that the interest rate it charges is too low.

The Federal land bank received a capital of \$750,000 provided in accordance with the farm loan act, which capital will be returned to the Government, but none is to be returned under the law until the stock paid in by national farm loan associations amounts to an equal sum. In April or May of this year this bank will have acquired the capital necessary to enable it thereafter to refund the Government's stock subscription in accordance with the law, and it will do so. It can not do so earlier, under the law, and some old-fashioned people respect the law.

KEEPS DOWN EXPENSES.

It seems necessary to say again that the land bank receives no appropriation; that it has to pay for everything it gets and needs, including postage, as does any other person or business; and that it is required to, and will, earn its operating expenses, which can be legitimately obtained only from the small

margin of interest it charges the borrower over and above the interest it pays on its bonds, hence it will show on its books no material revenue collected until after six months from the date of the first loan is completed, while, during that six months and for a prior period during which forms were being devised and organizations being perfected, expenses naturally were being legitimately incurred and accumulated before earnings were collected. The land bank maintains no burnished brass or shimmering trimmings; if it did, those whom it serves would foot the bill.

WILL MAKE DIVIDENDS.

For the information of those who may have been misled by the incorrect figures published there is appended herewith a statement of our operations to January 31, 1918. The statement of expenses incurred and accrued in excess of earnings collected and accrued was worked out in detail during January, and is correct, and the record and accomplishment can be considered on its merits.

In connection therewith it can be readily determined that even under the small margin earned on loans made at 5 per cent, and the added margin to come on loans made at 5½ per cent, the land bank of Spokane will unquestionably show, even if it does not have actually collected, earnings that will make for a substantial dividend at the close of the current year. We collected in actual cash earnings in January \$23,586.67, and earnings are coming in in a constantly increasing volume each succeeding day and for all time to come.

STATEMENT TO JANUARY 31.

Loan applications numbering 15,757 were filed aggregating \$38,491,718.

Farms to the number of 9,971 were examined and appraised, of which 8,487 applications were approved in the sum of \$18,673,170, and 1,484 applications were rejected and withdrawn aggregating \$3,279,505. Many applications were approved in less sums than applied for, it appearing that the average of the loans applied for is \$2,443, and the average of the loans approved \$2,200.

We have organized and recommended charters for 313 national farm loan associations, and have furnished supplies and labor toward assisting hundreds of other associations to organize.

We have examined titles and approved the same and drew mortgage papers for 5,015 applications, of which there were finally closed and paid 3,905 loans aggregating \$8,930,075; 1,110 mortgages are in transit awaiting execution and return and the completion of the things necessary to perfect title, satisfy former liens, etc. On such pending mortgages, aggregating \$2,400,000, all work has been done but the final payment.

The capital stock of the bank has been increased from \$750,000 to \$1,196,650. Farm loan bonds have been authorized by the farm loan board for this bank in the sum of \$7,750,000. Loans in December were closed in the sum of \$1,838,696, and in January \$1,724,765.

The cost of service aforesaid and of the business accumulated, which will have an earning value for many years, is:

For furniture and fixtures (equipment on hand), \$7,177.47.

Gross expenses to date plus accrued interest on farm loan bonds, less earnings collected and accrued, \$13,319.54.

The National Government will be under no expense for the operation of the Federal land banks; such bonds as the Treasury Department has been authorized to buy will earn for the Government 4½ per cent interest, payable semiannually. The Government does pay the cost of maintaining the Farm Loan Bureau as it pays the cost of the department under the Comptroller of the Currency or of the Interstate Commerce Commission or any other bureau or department charged with the administration or supervision of business, public or private.

Not the least virtue of the farm loan system is that none of its operations are secret; there will be no confidential loans or confidential deals. It loans money only on first mortgages on farms duly appraised by three representative farmers of the community, thereafter approved by the directors of a farm loan association that will indorse the loan; then examined by a Federal appraiser sworn to do his duty and sent in from the outside to make an independent report. Men of equal talents may and do differ as to the value of lands, but where the margin is never less than two to

one on the lands and five to one on the insurable improvements supplemented by a stock subscription of 5 per cent of the full loan, further supplemented by the indorsement of the farm loan association as a corporation, the security ever will be absolute and assured.

PROVES BOON TO FARMERS.

The land bank makes loans not for profit, not to loan money, but to aid agricultural development and for specific, designated improvements. It does not afford an easy means to get into debt, but an easy way to get out of it. It affords honest men facilities on easy terms to acquire and improve a farm home, with assurance that they themselves will reap the crop they sow; it will enable the farmer to add needed comforts to his farm home; inspire him with hope to added endeavor; make country life more pleasant and more profitable, and thereby bring to all other classes and persons some of the benefits which naturally overflow from a contented and prosperous producing class.

That the land bank has begun to fulfill its mission is evident, for if it were negligible it would not merit attack. It has not reached all who desire its service, as it wished to operate economically and not incur the expenses of a large organization which would have been required to serve all its applicants before earnings would be flowing in.

With due allowance for differing conditions, Mr. O'Shea's reply to Mr. Ramsey's attack will represent what may be said for all the land banks.

TRIBUTE IS EXACTED FROM THE FARMERS

How some money lenders hinder increase of production by their profiteering, making farm borrowers their victims.

There are various opinions of the proper scope and function of the farm loan system, varying all the way from the view expressed by a New York evening newspaper that the system should promptly make loans to the amount of two billion dollars to the opposite extreme that at the present time its operations should be confined solely to loans for the increase of agricultural production, without any refunding of existing indebtedness.

As usual, the reasonable view is between the two extremes. The loaning of any such sum as two billion dollars within a year is an utter impossibility—legally, financially, and practically. The restriction of business to loans for the increase of agricultural production solely is impossible, because no farmer can borrow any money from a Federal land bank except upon a first mortgage, and the strict application of such a rule as this would make it impossible to loan \$10,000 to a farmer who wanted to use \$1,000 to pay off an existing mortgage, which would enable him to give the bank a first lien, and the other \$9,000 for improvements and development. The board feels that at a time when the farm loan bonds are being purchased by the United States Treasury, which has so many other urgent demands upon it, a patriotic farmer would not seek a loan at 5½ per cent merely to pay off a mortgage upon which he was paying 6 per cent and which had not matured or which he could renew on reasonable terms. Neither the board nor the banks would favor such applications. Both the board and the banks, however, resent the efforts which are occasionally made to exact heavy bonuses from farmers who want to pay off small mortgages which are not yet due. Efforts of this kind are a species of "profiteer-

(Continued on page 3.)

OVERVALUATION BY COMMITTEES

This practice lowers community confidence, sometimes delays closing of loans, and is a violation of the law.

One of our appraisers has written to the board, stating among other things that he has found that in many cases local loan committees allow figures to stand which they know are overvaluations of lands on which loans are applied for, because they expect a Federal appraiser later to cut down such valuations. His letter is quoted below in full for your information:

There is one omission in the Federal farm loan act which probably has not escaped your attention, and that is the lack of provision for the reexamination of the loans from time to time to safeguard the interests of the bank, *i. e.*, see that the proper care is taken of the property, that it is not rented after the loan is secured, etc. A clause giving the Federal Farm Board power to force a repayment of the loan in cases of negligence and incompetence would place a sense of responsibility both on the local association and the borrower.

Another source of trouble is the ignorance of the local appraiser (local loan committee) in respect to his responsibilities and liabilities, and his strange apathy in passing favorably on loans which he knows are not sound, his excuse invariably being that he knows the Federal appraiser will reject the poor ones. The same argument holds good when his values are too high. Hence the wide discrepancies between the local and the Federal appraisers. It should be the duty of an officer of the bank to instruct these local officers as to the actual duties required of them. In the course of my professional duties I have been told on more than one occasion by some of those men that if they had thoroughly understood what was required of them, the Federal appraiser would have had to visit fewer farms, thereby reducing the working expenses of the bank, as well as saving time.

The following reply was sent to him, and it is desired to impress strongly upon all appraisers the absolute necessity of bringing this matter to the attention of every local loan committee with which they come in touch:

Your report of January 1, together with your comment on the back of it, has been received. We are always glad to hear from our appraisers and to note their views about the different problems that present themselves during the course of their actual work in the field.

Referring to your first paragraph, relative to possible negligence of borrowers in letting their farms run down, or violation by them of their mortgage contract by renting their farms out after securing their loans, I would say that this is covered by the mortgage itself. Such action would render the mortgage foreclosable at once.

In connection with your assumption that the farm loan act does not provide the Farm Loan Board with power to force repayment of the loan in case the borrower fails to live up to his agreement, I would call your attention to paragraph 10 of section 12, on page 14 of the farm loan act, which reads as follows:

"Every borrower who shall be granted a loan under the provisions of this act shall enter into an agreement, in form and under conditions to be prescribed by the Federal Farm Loan Board, that if the whole or any portion of his loan shall be expended for purposes other than those specified in his original application, or if the borrower shall be in default in respect to any condition or covenant of the mortgage, the whole of said loan shall, at the option of the mortgagee, become due and payable forthwith: *Provided*, That the borrower may use part of said loan to pay for his stock in the farm loan association, and the land bank holding such mortgage may permit said loan to be used for any purpose specified in subsection fourth of this section."

I wish also to call your attention to section 31, page 26 of the act, which reads in part as follows:

"That any applicant for a loan under this act who shall knowingly make any false statement in his application for such loan, and any member of a loan committee or any appraiser provided for in this act who shall willfully overvalue any land offered as security for loans under this act, shall be punished by a fine of not exceeding \$5,000, or by imprisonment not exceeding one year, or both."

In view of the evident intent of the act, as shown by the above section, it is the imperative duty of an appraiser to see to it that every loan committee with which he comes in contact is made to thoroughly realize the serious consequences of willfully or deliberately overvaluing lands. Such action on the part of a loan committee, if made willfully and knowingly, is not excused by the fact that they expect a Federal appraiser to come along later and reduce their valuation.

As a matter of fact, the duty largely devolves upon our appraisers of instructing the local loan committees, the secretaries-treasurers, and the borrowers themselves, in so far as time and circumstances will permit, as to these different provisions and requirements of the act. If there is ignorance on the part of the local committees and borrowers as to their duties, we expect the appraisers to give them proper instructions so as to obviate the possibility of trouble through any misunderstanding of what is expected and required of borrowers.

I note that the association which you have most recently visited is situated in a mountainous country with the farms widely scattered and difficult of access, and that it is a poor farming section. I trust that under such circumstances you were careful to be very conservative in your valuations, and also that you disseminated as much information as possible among the farmers in this association with regard not only to their rights and privileges under the farm loan act, but also their duties as borrowers.

TRIBUTE IS EXACTED FROM THE FARMERS

(Continued from page 2.)

ing" which are especially despicable at this time when responsibility is put upon the farmer to increase production to meet the war emergency.

Several interesting illustrations of this sort of thing have lately come to light. A Montana farmer had borrowed \$7,100 from a private company in 1914 on three separate tracts, and had been required to give first mortgages for that amount and second commission mortgages in addition to the amount of \$1,313.72. When he wanted to pay off these mortgages, he was asked to pay \$8,630—\$216.28 more than the total of all the mortgages and \$1,530 more than the amount that he had actually borrowed.

A demand was made upon two farmers in Georgia for a bonus of \$40 in each case, one having a loan of \$800 and the other of \$486.

A Mississippi farmer wanted to pay off a mortgage on which the balance of principal due was \$280, and he was advised by the private mortgage company that "if it was going to inconvenience him to allow it to run" they would accept payment upon his paying a bonus of \$50.40.

A Wyoming rancher borrowed \$1,000 from a Minneapolis concern and executed a first mortgage for that amount and a second mortgage for \$244. When he notified the company that he wanted to pay this off, he was told that he might do so upon payment of the principal of both mortgages and a bonus of \$50. As he had only had the \$1,000 loan for five months, the calculation of interest on a settlement of this kind would be an interesting one. We figure that it would be at the rate of about 80 per cent a year.

THE COST OF A LOAN.

(Continued from page 1.)

one else. It is a burdensome expense, but it was not imposed on him by the Federal land bank or the Federal farm loan system. It is a part of our faulty system. The Federal farm loan system has not been able to devise any plan for making loans without abstracts of title. Neither has anyone else. This borrower may have been overcharged by the abstractor and he may not have been. Some titles are very long and complex and must cost a good deal of money. But he need not have another abstract for 35 or 36 years, while in the past he has had the abstractor to reckon with every 3 to 5 years.

The rest of the items are not large. The so-called "application fee" of \$5.50 covers the cost of appraisal and determination of title and it will probably not cover the full cost of these items to the bank. The cost of "appraisal" goes, apparently, to the local loan committee, and does not seem excessive. The cost of bringing the abstract down to date, \$2.25, means the putting of the mortgage and one or two other items on the abstract, and is necessary.

The bank is not responsible for the 50 cents he paid for making out the application, nor the \$2.50 for affidavits, nor the 24 cents for stamps.

Everybody would like to spare the farmers the expense of having papers made out, but there seems to be no way of doing business without papers. It is a burden, but it can not be avoided. We try to make it as light as possible by requiring it only once in a generation or so.

The president of one of our land banks has a farm on which he recently made a loan through a mortgage company. A letter from him shows that if he had been eligible as a borrower from his own land bank his expenses would not have been so large. Here is his letter:

Confirming the discussion I had with you in Washington relative to the loan I am preparing to make on my farm, I am negotiating for a loan of \$9,000 on this property.

It is at present being farmed by Mr. H. C. Waldron, who operates it for me on the following basis: I furnish the land; he furnishes the live stock, tools, and the labor. We divide the cost of seed, fertilizers, packages, and extra labor for harvesting and shipping.

Under this construction I do not consider myself eligible for a loan from the Federal land bank and am, therefore, applying to one of the southern mortgage companies.

In connection with this proposed loan the following is of interest: I am to pay in connection with securing the inspection the railroad, traveling, and hotel expenses from _____ to the location of the property and return, plus a charge of \$15 per day for the services of the appraiser. I am also to pay the attorney's fees, depending on the amount of the loan and the number of chains of title in the abstract.

I know you will be interested in this information as indicating how much better terms borrowers from this bank have than those who find it necessary to go elsewhere for their loans. In addition I am paying 6 per cent for the money, with no amortization privilege.

It is easy to find fault with any large organization, and always some faults are obvious; but the Federal Farm Loan System points to its achievements as its justification for existence. There are now nearly 3,000 cooperative National Farm Loan Associations of farmers who have their mortgage indebtedness financed for a generation to come.

THE BORROWERS' BULLETIN.

FARM LOAN DIRECTORY.

A column of boiled-down information about the Farm Loan Bureau, its organization and personnel.

Location: Treasury Department, Washington, D. C.

Members of board: WILLIAM G. McADOO, Secretary of the Treasury and chairman ex officio; GEORGE W. NORRIS, farm-loan commissioner; HERBERT QUICK, W. S. A. SMITH, and CHARLES E. LOBDELL.

Secretary: W. W. Flannagan.

Editor BORROWERS' BULLETIN: B. S. Roberts.

THE FEDERAL LAND BANKS.

District No. 1.—Springfield, Mass., serving the States of Maine, Massachusetts, Vermont, New Hampshire, Rhode Island, Connecticut, New Jersey, and New York.

District No. 2.—Baltimore, Md., serving the States of Pennsylvania, West Virginia, Maryland, Delaware, Virginia, and District of Columbia.

District No. 3.—Columbia, S. C., serving the States of North Carolina, South Carolina, Georgia, and Florida.

District No. 4.—Louisville, Ky., serving the States of Indiana, Ohio, Kentucky, and Tennessee.

District No. 5.—New Orleans, La., serving the States of Louisiana, Mississippi, and Alabama.

District No. 6.—St. Louis, Mo., serving the States of Illinois, Missouri, and Arkansas.

District No. 7.—St. Paul, Minn., serving the States of North Dakota, Minnesota, Wisconsin, and Michigan.

District No. 8.—Omaha, Nebr., serving the States of Wyoming, Nebraska, South Dakota, and Iowa.

District No. 9.—Wichita, Kans., serving the States of New Mexico, Kansas, Colorado, and Oklahoma.

District No. 10.—Houston, Tex., serving the State of Texas.

District No. 11.—Berkeley, Cal., serving the States of California, Nevada, Utah, and Arizona.

District No. 12.—Spokane, Wash., serving the States of Idaho, Washington, Montana, and Oregon.

These banks are engaged in lending money to farmers on first mortgages on farm lands at a rate of 5% per cent. The mortgages are repayable on the amortization or installment plan through periods ranging from 5 to 40 years. Loans may be made up to 50 per cent of the appraised value of the land plus 20 per cent of the value of the permanent insured improvements for approved agricultural purposes.

A farmer desiring to become a borrower should address a letter of inquiry to the Federal land bank of his district asking for the name of the farm loan association nearest him, or for papers to enable him to organize an association if none has been organized in his community.

This BULLETIN is issued for free distribution to all borrowers or prospective borrowers under the Federal farm loan act. It contains some observations based upon the early experiences of the Federal land banks which may be helpful to those who borrow later. It is intended to impress upon the borrower the necessity for uniformity and promptness of action, and suggests ways to eliminate needless delays in the making of loans. Additional copies may be had by addressing the Federal Farm Loan Bureau, Treasury Department, Washington, D. C.

The BORROWERS' BULLETIN will be glad to get reports showing how economically farm loan associations are operated. If you think your farm loan association has been carefully managed, compute the cost to members per \$1,000 loaned and let us have the figures. These reports will provide interesting comparisons.

\$11,787,517 PAID OUT TO FARMERS IN JANUARY BY FEDERAL LAND BANKS ON MORTGAGE LOANS

During the month of January \$11,787,517 were paid out to farmers of the United States by the Federal land banks on long-time first mortgage loans, according to a statement of the Federal Farm Loan Board. The Federal land bank of St. Paul closed loans during the month amounting to \$2,737,100. The other banks made loans as follows: Spokane, \$1,724,755; Berkeley, \$1,143,000; Wichita, \$1,118,800; Houston, \$1,006,522; Omaha, \$970,000; New Orleans, \$778,770; St. Louis, \$636,965; Louisville, \$624,100; Springfield, \$488,360; Columbia, \$298,535; and Baltimore, \$260,600.

On February 1 the total amount of money paid out to farmers since the establishment of the Federal land banks was \$50,782,432, covering 24,020 loans closed. The total amount of loans ap-

plied for up to February 1 was \$260,556,981 representing 112,146 applicants.

The grand total of loans closed are divided by Federal land bank districts as follows:

St. Paul	\$9,760,400
Spokane	8,930,075
Wichita	8,643,200
Berkeley	3,666,600
Omaha	3,210,190
Houston	3,124,412
New Orleans	3,028,255
Louisville	2,927,900
St. Louis	2,296,480
Baltimore	2,114,200
Springfield	1,614,665
Columbia	1,463,055

TWO KINDS OF MORTGAGES

One keeps the borrower in debt, the other promotes his prosperity.

F. J. O'Connell, secretary-treasurer of the Clark County (Wash.) national farm loan association, writes as follows:

I can not refrain at this time from calling your attention to satisfied mortgage No. 1 as per the list inclosed with mortgages which have been paid by you from proceeds of loans to our members. The mortgage referred to will prove, beyond a possible doubt, the benefit to be derived from our system.

You will note this mortgage was given by our applicant August 31, 1894, for \$300, three-year term, at 10 per cent interest rate, and was finally canceled December 27, 1917, by the wife of the man in whose favor it was first drawn. Twenty-three years and 4 months elapsed between the time the mortgage was made and the date of payment, during which time our applicant paid at the rate of 10 per cent for 8 years and at the rate of 8 per cent for 15 years and 4 months. You will note, however, that \$100 was applied on the principal after the mortgage had run 8 years. Had this loan been running under our present system the amount paid in by this applicant in interest would have retired the loan.

I would be pleased if you could formulate a statement to be published in the BORROWERS' BULLETIN, using this particular loan as a practical basis. This may or may not be an exception, but I believe there are not many cases where one man has paid such high interest for so long a time and to the same person all the time.

When asked why he had not been able to pay this loan before he did our applicant states that the necessity for improvement of his farm for the 23 years called so incessantly for the cash he made over the interest that he was unable to pay.

Now, it is quite possible that the lender who advanced the \$300 on the original mortgage received no more than he should have received. On the other hand, he may have done so. That is not the point. The freight rates paid on goods carried by the old freighting system by wagon will serve to illustrate the point. The rates were high, but they had to be high to pay the cost. As soon as the railway or steamship came freight rates went down.

The object of the Federal farm loan system is to make the transfer of money from borrower to lender easier and cheaper. In the case of the mortgage in question the farmer would have been pretty well along to being out of debt if he had had a Federal farm loan mortgage, and his annual payments of interest and on the principal would have been less. Life would have been easier for him.

BEWARE OF FRAUDULENT "ORGANIZER."

Another scheme for swindling the farmers of the United States has been discovered by the Federal Farm Loan Board. A man advertising himself as an authorized organizer of national farm loan associations is sending out advertising matter, emblazoned with the national flag, stating that he will organize such associations at \$500 each, and will teach others the trick for a certain sum of money. His advertisements have reached farmers and business men over a large part of the United States. He claims to be so busy organizing associations that he needs help, but will take time to teach the game for a monetary consideration.

All such representations are fraudulent. There is but one organizer now employed by the Federal Farm Loan Board, and he is Myron A. Waterman, at present in the service of the Federal land bank of New Orleans.

One of the men who has been operating this sort of scheme has been obliged to refund all of the money that he has collected in this way to the people from whom he collected it, and has promised to refrain from any further activities along that line in order to avoid running into difficulties with the authorities. The Farm Loan Board will do everything in its power to bring to justice all perpetrators of frauds against farmers through the Federal farm loan system.

When the Federal land banks are ready to assist persons who desire to form national farm loan associations, they will respond upon application to the bank. Persons coming from the banks will bear the proper credentials, and all other alleged organizers should be avoided.

No charges are ever made by the board's official organizer, or by anyone representing the Federal land banks, although interested persons are expected to provide neighborhood transportation.

HOW BIG IS A FARM?

(Continued from page 1.)

his neighbors on the average make from a hundred acres, and he asks a loan based on his income from the land. His farm is 10 acres, but in his hands it is as big as the neighboring farms of a hundred acres each, so far as income is concerned. Such farming should be encouraged. He is the most useful farmer in the county, perhaps; and his usefulness, skill, and efficiency should be recognized. He is making a fine living on a tract on which the average farmer of the vicinity would become a bankrupt.

And for that very reason it is not safe to loan him on the basis of his income from the land. Next year he may sell out, or he may die, and the land will pass into the hands of a man who can not make it produce more than the average returns. If the loan were made on the basis of the farming genius of the applicant it would be unsafe just because such genius is rare.

The subject, therefore, of the size which a farm must have before it may be considered eligible under the Federal farm loan act is not a simple one. The Federal Farm Loan Board has, after very careful consideration, made the following ruling covering the matter:

AREA OF FARMS.

As a basis of determining what area constitutes a farm for loaning purposes the board requires the following test:

First. Generally: The farm must be of sufficient area to yield at the hands of an ordinarily capable farmer, putting it to the use to which it is generally adapted and using average methods, an income sufficient to maintain the family of the applicant and discharge the interest and amortization payments.

Second. Specially: Where through intensive farming or the practice of a specialty a sufficient income has been regularly derived from a tract deficient in area for ordinary farming, or where the application of the prospective borrower shows that he is by experience capable of producing such an income from such a tract, such area may be accepted as sufficient, provided the land has a stable and permanent market value sufficient to warrant the loan applied for. This ruling does not apply to fruit and orchard lands, which have already been the subjects of definite rulings by this board.

Under this ruling a farm in the hands of the ordinary farmer must be big enough to enable him to make a living and pay off the mortgage. Unless he can do this it is no kindness to him to loan him the money; for he would only lose it.

Under this ruling the man who is farming intensively on low-priced land can only borrow 50 per cent of what his land would sell for to a man expecting to do ordinary farming on it. He can not get a loan based to any controlling extent on his superior efficiency, for that will die or move away with him; and during the life of a 35-year loan it would be very likely to do one or the other.

But is the agricultural genius by this ruling cut off from a loan on the small farm? Not if the farm has the selling value which will make the loan safe. If the tract is too small to yield a living to the ordinary man, the ordinary man can not borrow on it as a farm. Neither can he borrow on it if he is not a farmer engaged in making a living from it. But if he shows that he is making a living from it through agricultural operations, by intensive farming or the practice of a specialty, or shows in his application that

he possesses the ability to do so, he can borrow all the selling value of the land will justify.

This naturally confines the benefits of the Federal farm loan act to such intensive farming as is conducted on high-priced land. It puts the Federal farm loan system in the position of being willing to finance the intensive farming of land in every case up to 50 per cent of the selling value of the land plus 20 per cent of the permanent insured improvements. It rejects the too small tract in other hands as not being a farm. It rejects the man who only thinks he can make the too small tract pay—he must prove that he is making it pay or has the experience and ability to do so.

The size of a farm is not a matter of acreage but of productiveness. In some parts of the country and under some types of farming a 40-acre tract is enough for the ordinary farmer, while there are regions in which a thousand acres is too small. There are regions in which a half section is a smaller farm than 5 acres may be under special conditions. And after a man has migrated to a new and untried country he may find that he has a farm which is five times as small in income production as the seller told him it was. In such cases there often follows ruin and distress, and discontent with the appraisements of the Federal farm appraiser.

HOW IT STRIKES THE APPRAISERS

The delegated "eyes" of the farm loan board see both farm and farmer at close range.

The Federal farm loan appraiser is coming to be a very important man in the United States. To him is intrusted the great task of informing the Federal land banks and the Federal Farm Loan Board what in his opinion is the amount of money it is safe to loan on any given farm. If he makes conservative and just appraisements, uninfluenced by all considerations except the good of the system, he saves both the banks and the board trouble and additional expense. He is on the ground. He sees both the borrower and the farm. Congress in enacting the Federal farm loan act thought it best to forbid the making by any bank of any loan not approved by the appraiser. To most borrowers he is, therefore, the court of last resort.

To be sure, if he makes appraisements which are too high the bank has means of checking up his judgment, and may either reduce the loan recommended by the appraiser or refuse it altogether. The bank may not loan more on any farm than the appraiser approves, but it may loan less, and in many cases it cuts the loan down. If the appraisements are so low as to make it appear that the appraiser is doing the farmers an injustice, a new appraisal may be ordered, and often is. There are some associations whose properties in the beginning of the system were appraised as many as four times. In some parts of the country there are lands which seem to be overestimated in value by their owners, and when they were appraised a very earnest protest went up to the bank

and to the Federal Farm Loan Board. These farmers said that they could not accept these valuations; that it would be a black eye to the neighborhood; that it was an outrage. In several of these cases new appraisements were ordered by appraisers who had not had anything to do with the first valuations. In some of these cases the valuations were raised, but in most of them it was found that every appraisal gave results about the same as the former ones, and the results were that the borrowers were obliged to accept the appraisements and the reduced loans or agree to disagree with the Federal Farm Loan Bureau. So, while the appraiser's judgment is not the final decision in every case, in most cases it is.

His, therefore, is a most important position. As a body the appraisers have realized this, and lived up to their duties. As time passes they become more and more expert, both in making the appraisements and in convincing the farmers that the appraisements are just.

The BORROWERS' BULLETIN is always pleased to receive communications from appraisers which will enlighten the borrowers on the correct principles of "borrowing for profit" and will be of aid to other appraisers. Some appraisers have wanted to know whether they might not with benefit to the cause send out circulars to the farmers. They have been informed that while such a practice might be productive of good in some cases, on the whole it is best for them to refrain from publicity. Their voices might strike discord and create disagreements. Public information on the Federal farm loan act should be coordinated and harmonious. In any case, circulars by appraisers should have the approval of the Federal Farm Loan Board before they are sent out.

THEY FIND TIME TO EXPRESS GRATITUDE

In these busy and troublous times when farmers and city men are keyed to the limit, producing, delivering, sacrificing, and otherwise manifesting patriotism, letters of commendation are doubly appreciated. The following relate to two phases of this system:

I wish to go on record as indorsing the good work being done by the Federal land banks, particularly the intelligent and farsighted management of the Wichita Bank.

It was with some temerity that I wrote them a few weeks ago offering to buy a \$100 bond, as I did not feel sure that my request to invest so modest a sum would warrant a reply, so I was agreeably surprised to receive a most courteous letter from them, evincing a genuine interest in my desire to invest in their bonds, since which time I have bought three more.

I feel that if the merits and objects of the farm loan bonds were better known there would be a big demand from small investors who, like myself, are seeking absolute safety to which the interest return is secondary.

Sincerely,
ERNEST H. COLLINS,
Denver, Colo.

The other is from a farmer in Harrisburg, Oreg.:

The Federal farm loan system is helping the farmers of the United States. I know by experience that it is a godsend to the farmers of this country, and especially at this time of warring with Europe. I can't see for the life of me where anyone can get cheaper and safer money than from the Federal farm loan banks.

Yours for prosperity and success,
J. M. HOCHDANNER.

TWO METHODS OF CLOSING FARM LOANS

One requires a week, and the other—well, it all depends upon when you clear off your desk—Suggestions from an active secretary-treasurer.

This is how William A. Van Loon, secretary-treasurer of the First National Farm Loan Association of San Diego, San Diego, Cal., goes about it:

Probably the greatest difficulty a secretary-treasurer has to contend with is to get the active assistance and cooperation of the applicant when the time comes for closing the loan. Just to-day there came a long-distance call from a secretary-treasurer living nearly a hundred miles away, asking for help and advice. The loans to members of his association had been allowed and notices sent to the members by the Federal land bank just four weeks ago to-day, and still he has not yet sent to the bank a single "acceptance slip" or evidence of title. As to who is to blame in this particular case it is hard to say with justice, but being a secretary-treasurer myself, I am willing, for the most part, to blame the secretary-treasurer.

I feel sure that to push through the business of a good sized association and to do it to the satisfaction of the bank and to the best interests of the members will require almost as much energy and "gumption" as to dig the Panama Canal.

As I have received from the executive officers of the Federal land bank letters commanding me for the "quickness and satisfaction" with which I have closed loans, it may be of interest to some secretary-treasurers to know how it was done.

Briefly, it was like this: When applications came into my hands no time was lost in getting the properties appraised and the applications into the hands of the land bank, with the request that a Federal appraiser go over these lands at the earliest possible date; and our bank has been very prompt in such matters, considering the time the bank has been organized and the amount of business to be handled. If the application "looked good" to me and the Federal appraiser threw out no disappointing hints, I waited only long enough for the appraiser to make his report to the bank and the bank to have time to file the application before I gathered from the applicant his evidence of title and insurance policy, examined them to see if they might do in their present form, and sent them to the land bank. This plan serves two good purposes. One is that it gives the bank a gentle hint to hurry the closing of the loan, and the other is that the papers are on hand when wanted by the land bank.

Then comes the closing of the loan. When the list of "approved loans" comes I never permit a member to wait until to-morrow to sign his "acceptance slip" and get it to the bank. There comes back from the bank immediately the mortgage, note, etc., which I get the applicants to sign before anyone sleeps. Then it is filed or recorded and the evidence of title brought to date showing mortgage to the bank. The title company is urged by every means—telephone, letter, etc.—to rush the work on these applicants' titles, and all papers are back to the bank in short order.

If there is a mortgage on the property, the holder of the mortgage is notified to forward the release at once to the State bank of _____, and it will be taken up.

In a short time the money is in my hands from the land bank, the old mortgage is lifted, the release is forwarded to the county recorder by first mail and is back to the Federal land bank in a few days, and John Doe's Federal farm loan amortization mortgage is completed and his affairs adjusted for 35 years.

I am handicapped by the fact that I live nearly 700 miles from the Federal land bank and 40 miles from the county seat, where title work and recording are done, still here is my best record in closing a loan: I received a mortgage from the bank, had the applicants sign it, had it filed in the recorder's office, brought the title to date showing mortgage to the land bank, returned all papers to the bank, then received the money from the land bank, turned it over to the applicant all within seven days.

My association covers many townships.

And this is the way in which a secretary-treasurer in another locality handles the matter:

In clearing off my desk I came upon the inclosure. I had supposed that this had gone forward long ago. Have been wondering why there has been so much delay in sending my note to be signed, and this is doubtless the explanation.

Since I signed and posted the papers the day I ordered my title continued, I evidently sent the wrong ones.

Trust my error has caused you no inconvenience and that this matter may be adjusted immediately.

CHARGES TO BORROWERS

As the system is perfected charges for loans will be kept as low as possible.

Some discontent and some misunderstandings have arisen as to charges made to borrowers under that clause of the farm loan act, which reads as follows:

To charge applicants for loans and borrowers under rules and regulations promulgated by the Federal Farm Loan Board reasonable fees not exceeding the actual cost of appraisal and determination of title.

Some of the misunderstandings have arisen because of the fact that in the beginning nobody had any experience as to just what these costs would be under our system. It was thought at first that if bonds were sold bearing 4½ per cent and interest charged to borrowers at 5 per cent, the one-half of 1 per cent would take care of all these charges and it would not be found necessary to collect anything from the borrower to cover them, and the word went out to the farmers that this would be the case.

The enormous mass of business which awaited the banks when they were organized, all of which had to be taken care of before any returns came in in the way of interest, soon convinced everybody concerned that if this plan was carried out the banks would have to invest so much money in the costs of appraisal and determination of title that it would be many years before dividends could be paid on the stock in the land banks owned by the national farm loan associations. One bank had over \$45,000 invested in these expenses before it received a dollar of interest from the borrowers. So the management of bank after bank was convinced that it was necessary that a charge be made, and rules and regulations were made covering the matter. In as much as these must be general rules, they can not be made to cover to a cent the actual cost of appraisals and determination of title on every loan. In most cases they are lower than the actual cost, and the bank absorbs some loss on them. In other cases they may be higher than the actual cost, but it is not intended that they shall be.

Since the interest rate to the farmer has been advanced to 5½ per cent there is a difference of 1 per cent between the rate paid by the farmer and that paid by the banks for money it loans to them, but that is a condition imposed by the present abnormal financial situation. It is not believed that it will be a permanent condition. After the banks have placed a large volume of loans on their books it is believed that a "spread" of one-half of 1 per cent will be all that will be required for the expenses of the

business, and the payment of dividends on the stock owned by the national farm loan associations.

Dividends on this stock will solve many of the problems of the financing of the association; and until such dividends can be paid it is better for the borrowers to pay the reasonable charges of appraisal and determination of title than to have the banks carrying the expenses. Nobody can say just how long it will be before the banks will be able to pay dividends, but the more active banks are rather rapidly clearing away the obstacles which have hitherto prevented it. It must be borne in mind that the borrowers of to-day are passing through the pioneer stage of Federal farm loan borrowing. The normal stage has not been reached as yet, but those banks which have had a large volume of business are making great progress toward it. When that stage has been reached it is confidently expected that the associations will have regular incomes from dividends, and that the expenses of appraisal and determination of title will have become less of a burden on the banks. Then it will be proper to consider whether it is not better as a permanent policy for the farmers to pay these expenses. If they pay them they will, by the exact amount they pay, put the banks in better position to pay dividends.

INCREASE PRODUCTION BY SAVING MATERIAL

This is one important way of helping to win the war—Conservatism in expenditures advised by the Government during the war.

In a recent appeal to the farmers of the United States to help win the war, the President of the United States stated:

Our national life and our whole economic development will pass under the sinister influences of foreign control if we do not win. We must win, therefore, and we shall win. * * * It has turned out that the forces that fight for freedom, the freedom of men all over the world as well as our own, depend upon us in an extraordinary and unexpected degree for sustenance, for the supply of materials by which men are to live and to fight, and it will be our glory when the war is over that we have supplied these materials and supplied them abundantly, and it will be all the more glory because in supplying them we have made our supreme effort and sacrifice.

There is no doubt that every patriotic citizen is behind the President in these utterances. Not only is it the duty of every farmer and every stockman to bend every effort toward production of grain, forage, beef, and wool, but it is the duty of every citizen to keep in view at all times that he owes it to himself and to his country to eliminate from his thought and plans everything that is not immediately necessary to production. Only such improvements should be made at this extraordinary time as may result directly in an increase of production. Any other expenditures for improvements on the farm which have but a remote relation to the production of crops or of stock should be eliminated.

The farmer may have planned for years to build a new, more comfortable home, to change from his old sheds to a

(Continued on page 7.)

ENGINEER-APPRASIER.

(Continued from page 1.)

made; otherwise loans might be made on lands which it might develop later have comparatively little or no water.

In some projects many millions of dollars have been expended in construction of storage works and distributing systems alone, aside from the investment by the irrigators themselves. Usually the more costly projects are well designed and supervised in construction, but this is not always the case, and quite frequently irrigation development of hundreds of thousands of dollars may be menaced by faulty construction which would only come to the attention of experienced engineers. It has been only a short time since a dam in Utah, on which a large sum of money had been expended, was carried away by high water because insufficient wastewater had been provided for even ordinary high water, and great damage resulted below.

For these and other reasons it appeared desirable that an irrigation engineer, well qualified both technically and by experience, should be employed by the Farm Loan Board and his services made available for the various district banks in which irrigation and drainage problems arise. In November last, after inquiry and investigation by the board extending over some months, Mr. John T. Whistler, at that time project manager on the Truckee-Carson project, Nevada, for the United States Reclamation Service, and who also has had in charge for the past few years investigations made by the Government for determining a policy for the best development of Colorado River Basin, was selected. He was for a number of years in private practice in the Northwest, with offices at Portland, Oreg. For a few years prior to taking up the Colorado River Basin investigations he had charge of Oregon and California cooperative work investigations, from which comprehensive general plans were developed for a large number of irrigation projects.

It is manifestly impossible for Mr. Whistler personally to examine and report on all irrigation districts within which applications for loans are made, and the following organization has been worked out and is now being put into effect for taking care of these matters: The office of irrigation and drainage engineer has been established, with Mr. Whistler in charge, at 432 Federal Building, Denver, Colo. The office is established there in part because of its central location, but also largely because of the location there of the construction offices of the United States Reclamation Service, from which bureau a great deal of information is obtained which would otherwise cost much in time and money to collect. An engineer-appraiser is appointed by the board and assigned to each district bank. His duties are, first, to investigate and report on the many irrigation and drainage districts within which applications for loans are made in that district, these investigations and reports to be made under the direction of the irrigation and drainage engineer in Denver. This engineer-appraiser is also available for service as appraiser on irrigated lands, and, as the plan has so far worked out, it has been found advantageous to have him appraise the lands in the districts examined and re-

ported on. Engineer-appraisers have now been appointed for the eighth, ninth, eleventh, and twelfth districts.

There has been some delay in the consideration of applications for loans on irrigated lands because of the necessity found for first having these investigations and reports. It will require some little time to cover the districts already involved, but they will be handled just as rapidly as possible consistent with the making of safe loans.

JOINT-STOCK LAND BANKS

As early as September, 1916, the Federal Farm Loan Board learned that persons of the "promoter" class were organizing in some of the Western and Southern States "rural credit associations," with the representation that these associations would subsequently be incorporated as joint-stock land banks under the farm loan act. In most cases the effort was made to sell the stock of these associations, at a price from 50 to 100 per cent above its par value, to farmers who wanted to borrow money. The promoters of these associations paid liberal fees to the salesmen who placed the stock and usually had some form of contract with the association under which the promoters for some supposed service or other absorbed the rest of the premium. In several cases these promoters had secured the use of the names of most reputable citizens, who acted in entire ignorance of the real character of the scheme and often in a mistaken belief that they were actually doing something to facilitate the extension of credit to farmers. The board issued warnings against several of these concerns which were patently fraudulent, and referred several others to the post office authorities or the Department of Justice for investigation.

Possibly as a result of the warnings an impression apparently got abroad that the board was hostile to joint-stock land banks. This impression was not only erroneous but groundless. The board has always been of opinion that the business of making farm loans, as it existed at the time of the passage of the act, was an established and reputable business, and that it was not the intention of the Congress to establish a system clothed with advantages which might enable it to drive the established agencies out of business without at least giving those agencies an opportunity to avail themselves of the same privileges. The general purpose of the act was to provide for the farm loan needs of the country.

About the time of the passage of the act there was a feeling quite prevalent that the joint-stock land banks, being able to make loans directly to farmers without the intervention of any farm loan association, would enjoy such an advantage over the Federal land banks as would enable them to do the bulk of the business. Events thus far have failed to sustain it. The 12 Federal land banks and borrowers have already voluntarily organized over 2,700 farm loan associations, made up of over 60,000 members in every State of the Union, while there have been five joint-stock land banks organized, each with the minimum capitalization permitted by the

law. The fact that there is no Government money in the capital stock of a joint-stock land bank; that its capital is likely to be much less than that of a Federal land bank; that there is a less degree of supervision over it than over a Federal land bank; and that its bonds stand alone, while those of any Federal land bank have behind them the assets and credit of the 12 banks, will probably always compel the joint-stock land banks to pay a higher rate of interest on their bonds than is currently paid by the Federal land banks, which difference must be reflected in a corresponding difference in the rate to the borrower. Indeed, the difference in the rate to the borrower will probably always be even greater, as the Federal land banks, owing to the greater volume of their business, will be able to operate on a lower percentage of profit than the joint-stock land banks. There is, therefore, always likely to be a difference of nearly or quite 1 per cent between the rate of interest charged the borrower by the Federal land banks and by the joint-stock land banks, and this 1 per cent will, in the minds of most borrowers, more than counterbalance whatever little delay or "red tape" there may be in connection with the organization of a farm loan association or the joining of an association already in existence.

INCREASE PRODUCTION BY SAVING MATERIAL

(Continued from page 6.)

larger barn, to fence more of his land; but this is not the year to do so, if he can possibly get along without it, or unless the improvement will increase production.

We should remember that every kind of material is a product of labor, and while absorbing such material for purposes not immediately necessary, we are diverting the labor of the country from the channels which would otherwise lead to the successful prosecution of the war.

The farmers of the United States are entitled to every convenience and comfort, but many of them should now be postponed. We shall build larger homes and get more comfortable equipment when the war is over.

Now, let us remember that every piece of lumber that can be spared should be used for the construction of ships; every piece of iron and steel should be used for the purpose of combating the "mailed fist," now threatening not only our national freedom but the freedom of all mankind. Let us remember that every pound of barbed wire that can be spared by the American farmer now will help to save the lives not only of our sons but the sons of our allies, who stand united with us in this struggle.

Increase production and save material should become the motto of the American farmer while this war lasts.

It is also profitable for the farmer to refrain from making unnecessary improvements at this time. Supplies are abnormally high at present, and while borrowing money, even at a low rate of interest, if that money is to be used to purchase high-priced material for improvements it will prove a greater burden on the borrower than it would in normal times.

IS THIS YOUR NATIONAL FARM LOAN ASSOCIATION?

You Can Help Make It a Neighborhood Power for Usefulness and Permanent Good.

The following letter has been written by one of our most intelligent appraisers. He has a good word to say for the national farm loan associations and for the men who are managing them. It is an especially fine thing to know that the borrowers are so prompt to understand the real meaning of the Federal farm loan system. On the other hand he calls attention to some errors made by farm loan associations already in existence. Read his letter and then determine as to whether or not these errors apply to your association:

BORROWERS' BULLETIN No. 3 at hand, and I have read with interest the "Common errors" pointed out by Appraiser. Out of 25 associations I have visited, inspecting and appraising 403 farms, I have found but 5 associations where the loan committee did not seem to sense their own and their association's responsibility. In these the committee had very much overvalued the farms.

In one of these associations I asked the president if he did not think the loan committee had overvalued the farms in the district. His answer was, "Well, the Government is loaning this money and we thought we ought to get our share." When I got through with this association every member understood that the Government was not loaning them money, that the Government did not own the bank, that it was not owned by somebody down at Washington or out at Berkeley, but that it was owned by the farmers themselves, and that they were borrowing the money themselves through their representatives, where money was cheap. Borrowing at wholesale and reloaning to themselves at retail, with a total cost for carrying on the business of only 1 per cent. When they thoroughly understood this, although it was necessary to reduce 13 of their loans out of 27, there was not one applicant but was satisfied, and I left them boasting for the farmers' bank.

On the other hand, we have had a number of associations where the loan asked was not only not excessive but very often not more than 30 per cent of the value of the land, and the loan committee would appraise the land just high enough to let applicant get through with a 50 per cent loan. When I asked why they appraised a certain farm so low, they would reply, "Oh, that was all the money he wanted." For that reason many of my appraisements are higher than the appraisements of the loan committee, as I believe it looks better that some of our loans are not "crowding the limit."

The above matters do not worry me, however, as I try to take care of them when I reach them in the first case by reducing the loan in my recommendation, and reasoning with the applicant and the association into believing that I am right, and finally leaving them with a full understanding of the principles of the bank. In the latter by placing the valuation at what my judgment says it should be, regardless of the appraisal of the loan committee.

There is another matter that is cropping out considerably that is more serious. It is this:

After associations are organized and have their charters they seem to be very conservative about taking in new members. They have said to me, "Why should we; it only increases our own obligations; we are responsible to the extent of 10 per cent of our loans for every loan we accept, and we feel pretty well satisfied to rest with what we have."

That is one reason for our association not growing after once organized. Another is that as a rule an association is formed in a close community, probably the district not covering more than a township, possibly taking in several townships, but the bulk of the loans are close together, and likewise the board of directors and loan committee. They have a "local pride" or we might call it an "exalted idea" of the value of their own farms and do not believe the farms 6 miles away from them are nearly as good as theirs. This is really serious. Every

farmer thinks his farm is better than his neighbor's, and every neighborhood thinks its farms are better than the next neighborhood's. Hence appraisements are made so low by the loan committee that the applicant can not accept the loan. These two reasons are materially retarding the growth of existing, organized, and chartered associations.

I believe the Farm Loan Board should take this matter up with the secretary of every chartered association, and while cautioning them to be conservative in their appraisals, yet warning them against being self-satisfied because they have secured their own loans. This might help, and the reason I believe the letter should come from the Farm Loan Board instead of from the bank, or instead of leaving it to the Federal appraisers, is that the higher the authority behind the letter the more good it will do.

The way I think it should be handled is to consolidate where feasible all the associations in a county into one association, and then they could pay a secretary something worth while for his work and also pay their loan committees. The loan committee would then be delocalized, and the troubles above referred to would be minimized. However, I do not see how this consolidation can be brought about except through common consent of the present chartered associations, and it will take much argument to get some of them to agree to it.

The above letter contains matters which every borrower and every appraiser of a national farm loan association should consider carefully. In the first place, the farmers should ask themselves whether in taking in new members they add to their responsibilities. As a matter of fact they do not. There is a greater chance for the farmers to lose money they have invested in stock in an association borrowing \$20,000 than in one borrowing \$200,000. In the small association if one loan turns out delinquent it makes very deep inroads into the money invested in the stock, but if one loan is delinquent in an association borrowing \$200,000, and having, say, 40 members, there is a much larger fund from which the delinquency can be made up. It is very largely a matter of insurance. The larger the number of risks, if they are well selected, the less chance there is of a very heavy loss, in percentage, of the amount paid. The new members increase the responsibility of the association, but it gives the association more funds with which to take care of them. It does not increase the percentage liability of the members of the association, and, in view of the increased number of risks, it actually decreases the possibility of loss. The really safe policy is for the association to continue to take in new members who have good loans.

Is the appraiser who wrote the above letter right in thinking that some associations are puffed up with pride as to the locality in which the members live, and draw the line against the members farther away? Local pride of this sort is not a good thing. It tends to break associations up into small groups and prevents the building up of large associations which can take care of their legitimate expenses easily. The man who thinks that the sun rises and sets in his own farm should take another look. A farm loan association is a financial organization and ought to be of wide use to the widest possible number of farmers in the community for all time in the future, and should be organized and operated with that ideal in mind.

THE FARMER'S OPPORTUNITY

How he can help win the war by buying thrift and war savings stamps.

President Wilson has said that it is our plain duty to see to it that not only our own people are fed, but that we may, if possible, feed our allies. He feels that the American farmer will do his part to the utmost.

But the American farmer's "utmost" is not limited merely to increasing production in every way. There are still further heights of patriotism to which he can climb, and in this respect he is most fortunately situated, for he has many ways in which he can render national service for the winning of the war, while to the average citizen in industrial activities there are few.

Not only can the farmer increase production—and food will undoubtedly be one of the most important factors in winning the war—but by increasing his production he is almost sure to improve his opportunity to render further service to the winning of the war and to his country and for investing in Government loans.

There can be no greater satisfaction than in making that "utmost" the limit of service each one of us can do, and the farmer is peculiarly situated in being able to do double or triple patriotic service.

War savings stamps and United States thrift stamps open the way for each of us to save and invest sums of money up to \$1,000 (maturity value). It is the best opportunity ever offered in this country to help the Government and to help ourselves by accumulating savings and compound interest thereon. Our money works for us while it helps Uncle Sam win the war.

And farmers, you whom promoters and tricksters are commonly supposed to have been after without let up for years, very frequently perhaps to the promoters' gain and your loss, here is an opportunity for you to prove that you know a fine investment when you see it.

War savings stamps can not decrease in value. The law says they must increase in price, 1 cent each month until maturity on January 1, 1923.

Do you want a better security than the promise of the United States Government "to pay," and do you want a better opportunity than that now presented to serve your country and humanity?

Find out all about war savings stamps. The mail carrier will deliver you literature and will sell you stamps if you ask him for them. Remember, you get 4 per cent interest, compounded quarterly, on the money you lend the Government, and you get it all back on January 1, 1923, or if you need it sooner, you can get it back whenever you need it, with about 3 per cent interest.

The Borrowers' BULLETIN is always glad to hear from both borrowers and appraisers with ideas of mutual interest; also secretaries-treasurers, who naturally see things from a different angle than either borrower or appraiser.

The Borrowers' Bulletin

ISSUED BY THE FEDERAL FARM LOAN BUREAU, U. S. TREASURY DEPARTMENT

VOL. 1

WASHINGTON, D. C., APRIL-MAY, 1918

No. 5

WHERE THE MONEY FOR FARM LOANS COMES FROM

Money loaned to farmers is borrowed from investors—How it is obtained.

"I need a Government loan to clear land so as to enable me to produce the food the Government asks me to grow."

"If we have to give security for Government money, what good does the Federal farm loan act do me?"

"I thought the Government would lend me money without all the old bother of examining titles and making me put up two dollars in security for every dollar loaned me. This is nothing but the old, old story."

"Why be so particular about the security for the Government's money when what we need is food to win the war? Let us have the money. Money invested in the war is never lost if the war is won."

Have you heard such things as the above uttered when the Federal farm loan act is under discussion? If you haven't you live in a neighborhood the people of which understand the facts. If you have you live where the Federal farm loan act is misunderstood.

NOT "GOVERNMENT MONEY" AT ALL.

In the first place, the money loaned to you through your national farm loan association is not "Government money" at all. It is money borrowed from people who have it to be loaned to you. It is a trust fund. It is not "the old, old story," for it is loaned on easy terms and on very long time, but it must be secured just as completely as money borrowed from anyone else. It is not easy money. It is not easy to get, for the borrower must give ample security. It is easy to repay, because it is loaned for a generation or more of time, and is paid up in small regular installments—but it is not easy money in the sense that it can be had for the asking.

Even if it were "Government money" it would be unfair if it were paid out to farmers without security. Government money belongs to all the taxpayers; and to lend it without good security to some taxpayers would be robbing Peter to pay Paul. But Federal farm loan money is not Government money at all. It is the money of people who lend it to the Federal land banks. Why do they lend it? Because they want to help the farmers? Sometimes, and partly, perhaps, but every dollar loaned by these people to the land banks is loaned on a solemn promise that it will be paid back and as a sacred trust.

61489-18

DELAY IN DELIVERY.

Owing to the fact that all Government printing pertaining to the prosecution of the war is given precedence at the Government Printing Office, the issuance of the BORROWERS' BULLETIN must necessarily be irregular. However, our aim will be to issue it each month.

"Here is our money," say the investors; "take and loan it to the farmers; but we lend it to you only on your solemn promise that you will pay us our interest when it is due, and that the principal will be paid when it is due."

"We take the money," is the promise of the Federal land bank, "and we solemnly promise on behalf of ourselves and the farmers to whom we loan it that the interest will be promptly paid and the principal when due."

The Federal land banks belong, except for money temporarily invested in them by the Government, to the borrowers. Therefore the promise of the banks is the promise of the borrowers. Every borrower has promised that the money invested by those who buy Federal farm loan bonds will be repaid, principal and interest, not only in full, but on the very day it is due. The honor of the farmers is at stake, the honor of the officials of the Federal land banks is at stake, the honor of the officials of the Federal farm loan bureau at Washington is at stake, and the honor of the Government which has established this system for the farmers' benefit is at stake.

In order that every dollar may be paid when it is due, and absolutely in full, loans are confined to amounts not to exceed 50 per cent of the value of the land. If improvements are considered, the loans must not be made on them to an extent of more than one-fifth of their value, and they must be permanent and insured improvements. Improvements which are not insurable can not be considered, and insurable improvements must be insured.

Where the land has no agricultural value no loans can be made. Where the land is threatened with destruction by seepage, alkalinizing, washing away, or the exhaustion of fertility, no loans can be made until the danger is done away with in some way. These loans run for 35 years, most of them, and loans will not be made on farms which are in danger of becoming worthless within that time.

Is this policy too strict? Not at all. It is the only policy which the farmers themselves ought to tolerate. If loans were carelessly made many farms would have to be foreclosed upon because the farmers could not pay them off. When

(Continued on page 7.)

FEDERAL FARM LOANS COVER ENTIRE COUNTRY

In almost every county farmers are enjoying the benefits of the farm loan system.

There are now as many national farm loan associations as there are counties in the United States. This means that 3,003 associations have been chartered by the Federal Farm Loan Board during the first year of actual operation of the 12 Federal land banks. It does not, of course, mean that there is an association in every county, for not all counties are agricultural.

These farm loan associations have a membership of about 50,000 farmers, and to these men nearly a hundred million dollars have been loaned by the Federal land banks. That means, among other things, that in this time of food scarcity the National Government has been the means of putting into the hands of the farmers who produce the food one dollar for every inhabitant of the nation. There is no place where the investor's dollar could do more good just now.

The distribution of these farm loan associations over the map of the country is irregular, showing that the credit offered by the Federal land banks flows where it is needed, acting as a regulator of interest rates and supplementing other banking facilities where they are inadequate. In such States as Ohio, Iowa, Illinois, and southern Wisconsin, where land values are high and well standardized, and where the wealth of great cities is near at hand, the farm loan associations are few. Nevertheless the farm loan system has not been without influence even in these regions of prosperity, for there has been a decrease in the interest rates charged by the established mortgage concerns.

But the Federal land banks have found their great field of usefulness in the South and Southwest, from the tide-water regions of the Atlantic to the dry-farming country of western Kansas and eastern New Mexico. Throughout this region a variety of circumstances had made it hard for the farmer to obtain money. Land values are not fixed and well known; agriculture is often in an experimental and hence temporarily uncertain stage; large cities with the strong and perfected financial systems, which make low interest rates possible, are lacking. As a result, the southern and southwestern farmer has often paid as high as 13 per cent for short-time personal credit, while on land he has paid from 8 to 9 per cent, with the additional expense of commissions on frequent re-

THE BORROWERS' BULLETIN.

newals. Incidentally, this is the region to which the nation must look for considerably increased production which it needs—a region of swamp, timber, brush, and second growth in the South, of irrigable arid lands in the West.

Money is necessary to multiply its production, and money is what it lacks. That is why Texas has 259 farm loan associations and Mississippi 129. The ninth farm loan district, including Colorado, Kansas, New Mexico, and Oklahoma, has the largest total among the districts, with 376 associations.

Another region where the farm loan system has conspicuously come into its own is the Northwest, where cut-over timber lands are waiting to be made into farms. Thus Washington has the second largest number of associations among the States, with 130, while North Dakota has 124. In the mountain States of the West, where mining and cattle ranching replace small-grain agriculture, the farm loans are in relatively little demand as yet, Arizona having but four associations and Nevada three. These two States are at the foot of the list.

A farm loan may be as small as \$100 and can not exceed \$10,000. The average size is \$2,270. The average number of members in a farm loan association is 17. The minimum allowed by law is 10. Some of the associations have from 40 to 80 members, these large associations usually being the result of the consolidation of smaller ones. During the year that the farm loan system has been in operation there have been 33 cancellations of charters, and nearly all of these are due to such consolidations to form stronger organizations.

The future growth of the farm loan system is an interesting subject for speculation. Although in a year the board has chartered as many associations as there are counties, and has loaned practically a hundred millions, it is still extending its activities at a rapid rate, and has a great field before it. There are something over 6,000,000 farms in the United States, and of these 40 per cent are mortgaged, which means that approximately 2,500,000 are borrowers of money. Even if the farm loan system should continue to supply 50,000 farmers every year, it will be many years before it has reached the limit of its possible extension. Of course, many of these farmers are in regions where other credit facilities are as good as the Federal farm loan system has to offer. On the other hand, in the West and South men are daily buying and taking up unimproved lands, and these are the farmers to whom the Federal loans are especially valuable. Many of them could not obtain long-time credit from any other source. And these pioneers, who are putting new lands under the plow, are especially deserving of Federal aid, for an adequate food supply in the future will depend to some extent upon them.

There is no slowing down, as yet, in the rate at which new associations are being formed, for the board has issued 60 new charters during the past month. The volume of business is also growing by the addition of new members to the associations, and by the growth of the borrowing capacity of charter members. For example, the first man who borrowed money from Uncle Sam under the farm loan act

of the Wichita bank one year ago used his first loan so well that he has subsequently had his land reappraised, with the result that he was able to obtain an increased loan thereon. The officials of the Federal land banks confidently expect that many of their customers, like this one, will "come back for more."

HUNDRED PER CENT FOLKS FROM THE GOLDEN WEST

Mr. Joyce shows that borrowers in his district are also bond buyers—Thrift thrives on thrift.

To be called a bondholder is no longer a term of reproach. It used to stamp one as being in the plutocratic rather than in the democratic class of citizens; but no longer. To-day more than 20,000,000 men, women, and children are the proud possessors of one or more Government bonds; and, consequently, feel a deeper interest in the welfare of their country and an independence of soul that they could not have before.

Mr. Joyce, president of the Berkeley land bank, has sent us an interesting report of how the members of the national farm loan associations of his district rose to the opportunity of backing our boys over there. He has made two lists—but we will let him tell his own story:

"List No. 1 gives the names of the associations in which every borrower subscribed for Liberty bonds. In many of these, prospective borrowers have also subscribed, and so we call this list '100 per cent and over,' and it constitutes our honor roll.

"List No. 2 shows the associations in which, while all borrowers have not been listed as subscribers, are very nearly 100 per cent complete. In regard to this list, please let me explain that in many cases, and perhaps in almost all cases, they would have shown 100 per cent had it been possible for the secretary-treasurers to find out what their borrowers had subscribed.

"We have a great many remote associations in which the borrowers are widely scattered. From almost all of these we have had letters stating that while they knew practically all the borrowers were subscribing it was impossible to get the amounts of their subscriptions, and so send a list such as we desired. I believe I am safe in saying that fully 90 per cent of all the borrowers from this eleventh district subscribed to the third Liberty loan.

"I consider that the benefit of the campaign made by us lies principally in the fact that it has to some extent promoted unity of thought and purpose. A man or woman who subscribes for a Liberty bond feels that he or she is an integral part of this great movement to win the war. The main effect, therefore, to my mind, is more psychological than concrete."

Here are the two lists of national farm loan associations of which the Berkeley land bank is so proud:

[List No. 1.]

THE FEDERAL LAND BANK OF BERKELEY THIRD LIBERTY LOAN "HONOR ROLL."

CALIFORNIA.

Acampo.	Lemoore.
Alpaugh.	Los Molinos.
Banning.	Milford.
Brawley.	Northern Madera County.
Corning.	Patterson National.
Deland-McFarland.	Ranchers and Growers.
Elk Grove.	Turlock National.
Exeter.	Whittier Rancho.
First Santa Clara.	Yolo.
Fowler.	
Kingsburg.	
Live Oak.	

UTAH.

Bear River Pre-cinct.	Provo.
Brigham City.	Perry.
Grouse Creek.	Price.
Hyde Park and North Logan.	Richmond.
Huntington.	Rawlins.
Kanesville-Taylor.	Rodale.
Levan.	Spanish Fork.
	Wellsville.

NEVADA.

Truckee-Carson.

ARIZONA.

Safford.

[List No. 2.]

CALIFORNIA.

Conservative.	Escondido.
Denair.	Cedaryville.
Grass Valley.	Antelope Valley.
Greenfield.	Alturas.
Placerville.	Apple Valley.
Stanislaus-Merced.	Arena.
Upper Lake.	Armona
Paradise	First (Ramona).
Oakdale.	Humboldt Bay.
Armona.	Raisin City.
Paradise Valley.	Tulare.

UTAH.

Pleasant Grove. Porown.

ARIZONA.

Sulphur Springs Valley.

All the other Federal land banks report splendid results on the third loan also, but did not send details. Mr. Howell, president of the Louisville district, states that every employee in his bank subscribed, making his a 100 per cent bank. No doubt the other banks could make similar reports, as their bank employee subscriptions to the first and second Liberty loans were very creditable.

BUY A FARM LOAN BOND.

FARMERS OF NATION BACK LIBERTY LOANS

Third loan goes over strong with the aid of the farmers—Agricultural States first across the line.

Perhaps the most striking feature of the third Liberty loan, next to the aggregate number of subscribers, is the prompt and enthusiastic support that the farming and rural population of the country gave the loan.

More than 20,000 communities in the United States subscribed or oversubscribed their quotas, and it is regarded as very significant that the rural communities as a rule were more prompt in completing their quotas than the larger cities.

The first State to subscribe its quota was Iowa, a typical agricultural State, leading in several branches of agricultural industry. More than 520,000 of its 2,000,000 inhabitants subscribed to the Liberty loan.

Oregon, Arkansas, Kentucky, North Dakota, Montana, Minnesota, and Mississippi follow, all of them agricultural rather than industrial or mining States.

Secretary McAdoo, after completing a trip through the South and Southwest, made the support the farmers of the country were giving the third Liberty loan a matter of national congratulation.

The number of subscribers among the farmers of the country to the third Liberty loan is an amazing increase over the number who subscribed to the first and second loans. Exact figures can not be given, but it is estimated that only about 2 per cent of the farming population of the United States subscribed to the first and second loans, while probably 10 times as many subscribed to the third.

Their heavy subscription was made, too, at a time of the year when the farmers are ordinarily on the borrowing side of the market, not the lending or investment side, and their support of the third loan is still more significant when it is remembered that the farms of the country are now called upon to speed up to the limit in production.

The result of the third loan shows that the great body of the American farmers has become aroused and has come into action. Their failure in not subscribing in large numbers to the first and second loans may be justified by the fact that the purchase of Government bonds was something absolutely new to them. The first and second campaigns were campaigns of education as to the character and nature of the security and facts concerning the cause and the effect of the war and the need of the individual citizen to do his individual part not only in fighting but in financing the nation at war.

The wide distribution of the Liberty bonds among the farmers is of great significance and value. Well may Secretary McAdoo feel happy over the result and call it the soundest national financing in the world. Every Liberty bond holder is a patriotic citizen backing the Government, backing the Treasury and, through it, backing the American Army in France and the American Navy on the sea and the work of the Government here and abroad.

Let one imagine himself a soldier in a foreign land and contrast the feeling he

would have upon learning that 20,000,000 of his fellow citizens had subscribed to the loan to wage the war with the feeling he would have upon learning that only 5,000,000 of Americans had put their shoulders to the wheel. Every American soldier in France and every American soldier destined to go there knows now that 20,000,000 Americans stand loyally behind him.

Scarcely less important is the effect upon our allies and upon the enemy. The Liberty loan army of 20,000,000 is a reserve that we and our allies can look to with confidence and faith and our enemies must look on with dread and fear. The people of the United States are determined to see this war through to a successful termination and no Americans are more fixed in this determination than the farmers.

A Government bond or two is as common a possession of the French farmer and his family as the family Bible or teakettle is over here. Rural France has known the satisfaction and security of owning French Government bonds for many years. The opportunity to buy United States bonds in small denominations (interest collectible semiannually) has now been brought to the attention of the American farmer in the convincing manner that war has, but the lesson and beneficence of this opportunity will remain as it has with the French farmers.

The American people have come to the realization that they must adopt scientific savings methods. The needs of the nation have brought vividly to light the faults of the nation—extravagance and waste. And patriotic duty is curing these faults.

Every farm family in the United States should strive to possess at least two bonds—a Liberty bond and a Federal farm loan bond.

APPRAISEMENTS BY THE LOAN COMMITTEE

The work need not be arduous if acquainted with neighborhood values.

The appraisement of the farms of borrowers by the loan committee of the association is an important matter. It gives the neighborhood idea as to the value of the land mortgaged. It is a guide to the Federal farm loan appraiser, to the Federal land bank, and to the Federal Farm Loan Board, not only as to the value of the land but as to the good sense and business judgment of the members of the association.

How should this appraisement be made? What should the loan committee of the association do to prepare themselves for giving a verdict on the value of a farm? Should the committee meet at some agreed place and go in a body to

the farm, look it over, and then deliberate on their verdict? The answer to these questions will go far toward determining the expenses of getting a loan. Members of loan committees have an important task to perform. No loan will be made to any borrower which is larger than the local loan committee is willing to have granted. The local loan committee tells how much of a loan the association thinks ought to be made, and the Federal land bank will not overpass the limit set by the farmers themselves. It may, and often does, refuse to loan as much as the loan committee recommends, but it never loans more. By the action of the loan committee the association informs the farm loan system how large a loan they are willing to pledge their stock in the association to guarantee. Therefore the loan committee should be well informed as to the value of the farm mortgaged.

But there is no necessity for these three farmers actually to visit farms with the value of which they are already acquainted. Where associations cover only a small territory, the loan committee may be able out of the knowledge already possessed by its members to appraise most of the farms mortgaged without visiting them at all. Where the territory is larger some of the members may have to visit the farms remote from their homes, but others may be well enough informed already.

The value of the farm should be accurately stated according to the judgment of the loan committee, and the whole committee should meet and deliberate over the matter; but how much actual visiting of farms shall be done should be left to the sound discretion and business judgment of the committee. The officers of the association are obliged to approve the loans, and the values are, therefore, checked by them. There should be no carelessness in the matter of appraisements, no taking a shot at it in the dark, but there should be no expenses made which are not necessary. The member of a loan committee who has been acquainted for many years with the farm offered as security for a loan may know just as much about its value as he can know after visiting it. If he does, he can save the borrower some expense by not making a trip to it. If necessary, he should go in every case, but it is not in every case that it is necessary. The loan committee should never fail to meet, exchange views, and make their appraisements as a committee, rather than as three independent minds.

The farm loan act permits the board to allow the Federal land banks to charge as high as 6 per cent interest on mortgages to farmers, but no more. The fact that the board at the beginning decided on a 5-per-cent rate instead of 6 per cent, as it has the power to do, is evidence that the farmers and their needs were carefully considered. At that time we had not entered the war, and financial conditions were rather stable. Because of the exigency of the times the board, very reluctantly, raised the interest rate, but it is still less than the law permits. In reply to inquiries it is stated that the board does not anticipate another raise in the rate, but is looking forward to the time (after the war, of course) when the rate can be reduced.

THE BORROWERS' BULLETIN.

FARM LOAN DIRECTORY.

A column of boiled-down information about the Farm Loan Bureau, its organization and personnel.

Location: Treasury Department, Washington, D. C.

Members of board: WILLIAM G. McADOO, Secretary of the Treasury and chairman ex officio; GEORGE W. NORRIS, farm loan commissioner; HERBERT QUICK, W. S. A. SMITH, and CHARLES E. LOBDELL.

Secretary: W. W. Flanagan.

THE FEDERAL LAND BANKS.

District No. 1.—Springfield, Mass., serving the States of Maine, Massachusetts, Vermont, New Hampshire, Rhode Island, Connecticut, New Jersey, and New York.

District No. 2.—Baltimore, Md., serving the States of Pennsylvania, West Virginia, Maryland, Delaware, Virginia, and District of Columbia.

District No. 3.—Columbia, S. C., serving the States of North Carolina, South Carolina, Georgia, and Florida.

District No. 4.—Louisville, Ky., serving the States of Indiana, Ohio, Kentucky, and Tennessee.

District No. 5.—New Orleans, La., serving the States of Louisiana, Mississippi, and Alabama.

District No. 6.—St. Louis, Mo., serving the States of Illinois, Missouri, and Arkansas.

District No. 7.—St. Paul, Minn., serving the States of North Dakota, Minnesota, Wisconsin, and Michigan.

District No. 8.—Omaha, Nebr., serving the States of Wyoming, Nebraska, South Dakota, and Iowa.

District No. 9.—Wichita, Kans., serving the States of New Mexico, Kansas, Colorado, and Oklahoma.

District No. 10.—Houston, Tex., serving the State of Texas.

District No. 11.—Berkeley, Cal., serving the States of California, Nevada, Utah, and Arizona.

District No. 12.—Spokane, Wash., serving the States of Idaho, Washington, Montana, and Oregon.

These banks are engaged in lending money to farmers on first mortgages on farm lands at a rate of $5\frac{1}{2}$ per cent. The mortgages are repayable on the amortization or installment plan through periods ranging from 5 to 40 years. Loans may be made up to 50 per cent of the appraised value of the land plus 20 per cent of the value of the permanent insured improvements for approved agricultural purposes.

A farmer desiring to become a borrower should address a letter of inquiry to the Federal land bank of his district asking for the name of the farm loan association nearest him, or for papers to enable him to organize an association if none has been organized in his community.

This BULLETIN is issued for free distribution to all borrowers or prospective borrowers under the Federal farm loan act. It contains some observations based upon the early experiences of the Federal land banks which may be helpful to those who borrow later. It is intended to impress upon the borrower the necessity for uniformity and promptness of action, and suggests ways to eliminate needless delays in the making of loans. Additional copies may be had by addressing the Federal Farm Loan Bureau, Treasury Department, Washington, D. C.

\$13,988,619 PAID OUT TO FARMERS ON MORTGAGE LOANS IN APRIL BY FEDERAL LAND BANKS

During April \$13,988,619 were paid out to farmers of the United States by the Federal land banks on long-time, first-mortgage loans, according to a statement of the Federal Farm Loan Board. The Federal land bank of St. Paul closed loans during the month amounting to \$2,870,300. The other banks made loans as follows: Omaha, \$1,912,300; Spokane, \$1,586,380; Houston, \$1,514,844; New Orleans, \$1,198,955; St. Louis, \$1,016,035; Wichita, \$768,900; Louisville, \$756,700; Columbia, \$737,605; Berkeley, \$569,700; Baltimore, \$538,100; Springfield, \$518,800.

On May 1 the total amount of money paid out to farmers since the establish-

ment of the Federal land banks was \$91,951,886, covering 40,451 loans closed. The total amount of loans applied for up to May 1 was \$299,948,835, representing 126,630 applicants, and in process of closing the amount was \$174,858,616 which is awaiting abstracts of title, release of mortgages, or other formalities.

The grand total of loans closed is divided by Federal land bank districts as follows: Springfield, \$2,876,045; Baltimore, \$3,407,750; Columbia, \$3,192,775; Louisville, \$5,407,600; New Orleans, \$6,091,315; St. Louis, \$5,128,935; St. Paul, \$15,424,900; Omaha, \$11,438,390; Wichita, \$11,191,700; Houston, \$7,755,791; Berkeley, \$5,806,900; Spokane, \$14,229,785.

FEDERAL FARM LOANS BRING FORTH GRATITUDE

Being relieved of financial anxiety, farmers not only produce more, but have an added pride in their farms and their country.

In the Federal land bank of St. Paul there hangs, framed in patriotic colors, a letter from a farmer living at Woodville, Mich. The law forbids the Federal farm loan authorities to disclose the names of borrowers under the system, and therefore his name can not be given; but the letter is as follows:

Find inclosed a post money order for payment in full on my loan. I like your way of doing business. If ever I was proud of my "Uncle Sam" it was when I received the Federal loan that lifted me up and put me on my feet, where I could see daylight once more. I wish that I could shake hands with you and tell you that we are working to our full limit, and that victory for many of us farmers is now in sight.

Hurrah for our grand old U. S. and the Stars and Stripes that float over a free people.

This man will be a better citizen from now on, and he will be freer to produce more to help win the war. His mortgage is out of the way for 36 years so long as he sends in every six months those "post money orders." He will expand his production because he will not be anxious for the time "when the mortgage comes due."

In Montana lives a farmer with a German name, who writes as follows:

I homesteaded 160 acres in 1912; in 1914 got 120 acres more; then bought 720 acres. In January, 1917, we organized the Lake Mason National Farm Loan Association with about 15 members, and applied for about \$100,000 altogether, which has all been received, and that much more since to new members.

And what did he do with the money?

I paid off \$2,800 debts, bought a light tractor and plows; also other tools; have broken 100 acres more land, and plowed over 200 acres of stubble, and done lots of other work. So I am satisfied the Federal farm loan has been a godsend to me.

He was probably paying from 8 per cent to 12 per cent annually on those old debts. He pays 5 per cent or $5\frac{1}{2}$ per cent on his new loan and has 35 years in which to pay it off.

A "godsend" to him? Why not a godsend to the country, which needs all those thousand broad acres in wheat "to win the war"?

Charles D. Lakin, secretary-treasurer of the association at Parr, Ind., writes:

We have closed 10 loans, a total of \$42,900, at a total expense to the 10 borrowers of \$267.45, of which \$89.50 were the charges of the Federal land bank and \$85 for abstracting. The cost is a fraction over one-half of 1 per cent for the financing of 10 farmers for 36 years.

I consider the farm loan act one of the great laws for the common people. It surely opens the way for the energetic renter to get a home of his own.

Iowa is a great granary and food storehouse of the nation, where the value of a farm often runs into six figures. These wealthy, well-established farmers have this to say of Federal farm loans, through George S. Morin, secretary-treasurer of the Blackhawk National Farm Loan Association, at Cedar Falls, Iowa:

The Federal land bank has been of inestimable value to the farmers of Iowa, and they are all becoming intensely interested in its operations. The long period of the loan and the amortization plan appeal to the farmer.

A borrower at Superior, Wis., says:

I wish to thank you personally for the completion of my loan. I sincerely trust that I shall see many a man get the privileges you are extending, which will build up one of the best districts Wisconsin possesses.

RULINGS OF BOARD

Below will be found two rulings of the Federal Farm Loan Board which have not been published in previous farm loan bulletins:

Acknowledgments of transfers of registered Federal farm loan bonds may be taken by any person authorized to take acknowledgments of the United States Government registered bonds, or before any officer with a seal authorized under State laws to take acknowledgments of conveyances of real estate.

On page 10 of definitions, rulings, and resolutions of the Federal Farm Loan Board, under date of August 16, 1917, the board made a ruling respecting eligibility for membership in national farm loan associations. This ruling has since been modified, as follows:

Where the guardian is father, mother, husband, or wife, and has a joint interest in the property, with the ward, such loans may be made. In such cases the guardian will, of course, sign individually, as well as officially, the note and mortgage, and will act as a member of the farm loan association.

THOUGHTS FROM AN APPRAISER

Some helpful suggestions by a Colorado man from his fund of experience.

The following letter, which the writer has entitled "Thoughts From an Appraiser," tells of things as observed by him in his own circle of activity, but much of it is applicable to the entire 48 States.

As related to the Federal farm loan system appraisers have a distinctive and almost personal function. Every Federal farm loan must have the approval of the farm loan board. It is obviously impossible for the board members to personally examine every farm offered for security, so these appraisers must act as "eyes" for the board. The great body of Federal land bank appraisers has accepted this duty with both a full sense of its usefulness and responsibility, and credit is due them for their share in the progress thus far of the system. The letter reads:

"In the formation of a national farm loan association in any locality the very best men should be selected for its officers. The appraising committee should have wide knowledge of land values. When errors in the way of assessed value of land, improvements, and security have crept into an application, they should be carefully checked up by the secretary before sending to the banks, as they hurt the applicant's chances for a loan when placed in the hands of an appraiser.

"I am quite sure that no officer or member of any association wants any reflection on his ability or honesty to do what is just and right to the farm loan board or the officers of the bank in the district in which he is located. Each member in any association must clearly understand that his application is checked up by the Farm Loan Bureau at Washington, the bank officials, the chief appraiser, the Federal appraiser, and local loan committee, only in reverse order.

"Let your association stand on a firm and solid rock foundation, as it means much not only for your members but also for the community in which you live and for the future welfare of your organization. Realize that your association is not formed for a day or a week, but for years to come. Strive to do your duty and you will feel proud that the farm loan board and the bank, in the management of which your association has a voice, can point with pride to your good business judgment. See what such an effort means to your locality, your business interests, and your prosperity.

"Picture for yourself the burden lifted from your shoulders by a good loan with a low rate of interest and a long time in which to make good. The farm loan board and the land banks want to help you, but you must do your part. Pay no attention to circulars or Shylock money loaners knocking the Federal farm loan system, who would take over your land without question or giving you a chance. Many legitimate bankers are boosting and doing all they can to further the success of these associations. They well know that it means prosperity for their farming section and a larger volume of business for them.

"When we meet an applicant it matters not whether he lives in a log house or a modern home, but we size up his character and his surroundings, his standing in the neighborhood and everything in connection with his farm, the kind of soil, what his land has produced in the past years per year, find if his soil is in a high state of cultivation, and if not, what is the cause. If we have the data at hand, we try to help him to properly fertilize his soil. If we have not the data, we refer him to the Agricultural Department at Washington for instructions.

"In the irrigation districts the same conditions exist as to soil and general conditions. A little more energy may be needed. The farmer is sometimes more sure of a crop than where there is natural rainfall. Water priority in a good stream will often solve the problem of irrigation, for a period at least. Often many of the streams are overappropriated. Good reservoirs are a sure source of water supply for irrigation, if the water is not sold beyond the capacity of the reservoir. An appraiser who understands irrigation can delve into these water rights, so no mistakes will be made. The farm loan board has wisely appointed a competent engineer to check up the appraisers.

"At this time of inflated values on land, an appraiser must be cautious and careful. Although some appraisers have a wide experience, don't forget that the most humble farmer will give you a brilliant suggestion that will make you think you do not know it all.

"Justice meted out to humanity causes the world to grow better.

"Respectfully submitted,

"JAMES U. HARRIS,
"Appraiser."

A WORD OF COMMENDATION— ALSO OF CAUTION

Farm loan board calls attention to the close relationship between borrowers and investors and the rights and privileges of each.

The following letter has been addressed by the farm loan board to every bank in the Federal farm loan system. These instructions are absolute, and this letter is given publicity in the full expectation that all borrowers under the system will see the wisdom of this action and readily cooperate to the end that the greatest good may come to the greatest number:

"The promptness of borrowers under the Federal farm loan system in making their amortization and interest payments has to date been most gratifying, evidencing as it does not only a sense of individual responsibility, but, we are pleased to believe, an appreciation of the fact that the permanence and prosperity of the entire system depends upon the prompt meeting of every obligation.

"To procure money with which to make farm loans, your bank must satisfy investors that the bonds are fully secured and that interest will be promptly

PLEASE SIGN YOUR CORRESPONDENCE

Perhaps Your Failure to Do So Explains
Why You Get No Response.

The Farm Loan Bureau frequently receives letters and cards requesting that the writers or some friends be placed on the mailing list of THE BULLETIN, or asking for information or literature, to which writers fail to sign any name. Where the communication is on a letterhead, we are often able to guess the name of the writer; where he has overlooked stating his town and State, we can often get it from the postmark. However, this is haphazard and unsatisfactory to all concerned.

It is a good habit to be careful about signing bank checks, promissory notes, and other contracts, but a communication requiring a reply must have a signature to guarantee or even warrant a reply.

Each division of the bureau desires to answer its letters promptly, and if after a reasonable length of time you have received no acknowledgment of your communication you may know it has failed to arrive or has no identification mark.

paid. To enable you to do this, borrowers must give adequate security and make prompt payments. In the large number of borrowers on your books it seems inevitable that some will be found to be slow, and the question arises as to what shall be done with these? The board has decided, after careful consideration, that a mortgage will not be continued as security for a bond issue on which any payment is more than 90 days past due, and you will accept this as notice that if at any time payments become more than 90 days past due on any mortgages which you have pledged as security for a bond issue you will at once withdraw such mortgage and substitute for it approved mortgage or other legal security in proper amount.

"A copy of this letter is going to the farm loan registrar for your district as a direction to him to require substitution in such cases.

"In event you have, upon receipt of this letter, any mortgages to which this order applies, you will be given 30 days in which to collect payments due thereon or make substitution. In event you shall at any time have payments more than 90 days past due, it is the wish of the board that you promptly institute foreclosure of such mortgages, unless there shall be extenuating circumstances, in your judgment, excusing the delay, in which event you will please report such circumstances to the board for its consideration.

"In event you are compelled to institute foreclosures, the question will no doubt arise as to what attitude should be taken toward borrowers who may want, after foreclosure has been started, to pay up deficiencies and reinstate their loans. It is not desired to make a drastic ruling in this respect, and much will be left to your discretion; but, as a general policy, it would seem that where a borrower has once made foreclosure necessary it should be completed, unless you can be thoroughly satisfied that a default will not again occur."

REVENUE FOR ASSOCIATIONS

Like everything else, they require money to make the wheels go round.

Undoubtedly the greatest problem which national farm loan associations are obliged to meet is that of finding money for their legitimate expenses. Not all the expenses sometimes saddled upon associations are legitimate or proper and the Federal land banks and the Farm Loan Board have had a good deal of correspondence with associations which have made the mistake of charging themselves with expenses which are higher than are either necessary or proper. In some of these cases there was evidence that some person had taken advantage of the new association to get a profitable job.

It should never be forgotten that offices in national farm loan associations should not be considered money-making jobs. Secretary-treasurers should not be asked to work for nothing, unless for public reasons they offer to do so, but they should not receive more than enough to pay them reasonably for the actual time consumed in the work.

We do not need to go far to find instances of clerical work being done cheaply. School directors generally serve without pay. Secretaries of lodges and clubs and those who do the secretarial work of churches and cooperative societies usually work for very small pay, being to no small extent reimbursed by the fact that they are earning the esteem and gratitude of their fellow members and fellow citizens. As a rule, secretary-treasurers of national farm loan associations are doing yeoman service in much the same way. They are generally paid, but paid in a modest way and only for the actual service rendered. Such a secretary-treasurer is a very valuable man to the association. There are ten of these to one of the sort who sees in the association's work only an opportunity to earn a salary, and in doing so, if it be a considerable salary, to take away from his neighbors a part of the benefits of the Federal farm loan system.

A few suggestions may here be made to national farm loan associations, all of which should be studied and followed.

Never go in debt. The association has no assets out of which debts can be paid. All its property consists of shares of stock in the Federal land bank which are pledged for the security of the association's guaranty of its loans. These assets amount to 5 per cent of the loans made to the association's members, and constitute all the money put up by borrowers for the security of each other's loans. This fund must be retained as a sacred trust for the safety of the loans, and the law requires that it shall be so kept. It can not be used for the payment of the debts of the association, and it ought not to be so used if it could. Thus, if the association goes in debt it has no property with which to pay its debts. The association should never become indebted to the extent of a penny.

Never allow anyone to become indebted to the association for membership fees, appraisal fees, or for the salary of the secretary-treasurer. All small sums due the association from members should as far as possible be called for when the

loan is made, and collected in advance, or paid out of the avails of the loans. If the secretary-treasurer ever finds it necessary to collect these small sums from the members after the money has passed to the borrower and been distributed to the various purposes for which the loan was made, the process of collection will often give the secretary-treasurer more trouble than the items collected are worth. This system will cause vexation, annoyance for all parties, and endless friction.

Call on the borrower in the beginning for all dues which the association expects immediately to receive from him or take these charges out of his loan. Have everything cleaned up when the loan is made. Don't let bills accumulate either against the association or against the members. Do business on a cash basis.

The stock of the associations in the Federal land banks can not pay dividends just now, but the time will come when it should do so. The banks are piling up business and some of them will soon be in a position to consider the matter of paying dividends on stock. When that time comes there will be a small fund always available for the expenses of the associations if they wish to use it for the purpose of paying expenses.

The law provides that the associations may retain one-eighth of 1 per cent of the amount of interest payments paid when permitted to do so by the Federal Farm Loan Board, and some associations have written asking whether such deduction from remittances might be made. The sums so deducted would be in the future deducted from any dividends earned by the stock of such associations, so it would really be only a loan to the association to be repaid in the future. It has not been thought wise to adopt this system. It has seemed wiser for the expenses of the associations to be kept up by assessments or otherwise, so that when dividends are paid they will not have been spent in advance.

A FIERCE ATTACK

Enemies of farm loan system pervert the truth to discredit the board and make money expensive for farmers.

The enemies of the Federal farm loan system never rest. They are determined that the farmer shall not always get his money at cost.

The following newspaper article has been sent all over the United States by a very powerful agency in Washington. It goes to country papers, marked "Exclusive in your county," under the head "Capital chat," so as to appear legitimate news. The subtitle of the item is "Farm Loan Board Goes Crazy." Here is the article:

(Special Correspondence).—One way that the people's money is being squandered in this time of need is shown in a most astonishing manner by a table that Congressman Joseph W. Fordney, of Michigan, has presented to the House. The compilation gives figures showing the loans made by the land bank at Wichita, Kans. Under the law the Farm Loan Board is authorized to loan 50 per cent of the land value and 20 per cent of the permanent insured value of the buildings. Not only have those percentages been exceeded in the actual loans made, but in a large number of cases money has been secured by applicants far in excess of the entire assessed value of both lands and buildings. So grossly have loans exceeded the amount contemplated by the law that Mr. Fordney cites instances where men, immediately upon receiving the

loan, have left the property, remarking that they never expected to sell it for so much. Mr. Fordney's statements are not matters of opinion, but are based on cold facts taken from the written records of the actual transactions.

Let all borrowers and prospective borrowers consider this attack carefully. What is its object? Its sole object is to frighten investors so that they will not buy our Federal farm loan bonds. If they can do this, the banks can get no money to loan to farmers, and the system fails.

These Kansas loans are not in excess of 50 per cent of the values of the farms plus 20 per cent of the permanent insured improvements. They are all good, safe loans. The assessed valuations are lower than the true values. We need not worry about them, for they are absolutely all right.

But suppose some enemy of the system should be able to prove that we are making loans larger than the law allows—suppose he were able to attack our loans on the basis of true values instead of assessments for taxation—what would be the result?

It would be very harmful to the whole system.

The duty of borrowers and of national farm loan associations is clear. Keep loans down to or below the legal limit. Study values. Be conservative. If once we lower our guard there are those in the United States who will stab us to the heart. Let us all work for safe, conservative appraisements—the safeguard of our great system.

HOW ONE SECRETARY-TREASURER DOES IT

In the spirit of patriotism and neighborhood pride much good is accomplished.

There are two ways of looking at the work of the offices in national farm loan associations—and there are all sorts of conditions. Some associations are already so large that their work calls for the attention of one man a good deal of the time—and it is not to be expected that such work can be done for nothing. The work of the system has been greatly furthered, however, by men who go at it in the spirit of the secretary-treasurer who wrote the following letter—an Oregon man:

Yours of the 13th instant received, and in reply thereto will say that it would be a very hard matter for me to figure out the exact time I have put in on this work. I have put in a great deal of time and if I was hiring out to do the work I would not begin to do it for the \$50. In work of this kind, where it has to do with the public, some one must sacrifice time and money to make it win. In time I feel that I will get my pay in the good that it will be to the country as a whole. Where the country is benefited I will be, though I may not get a loan myself. I did not want to take anything for my time while we were getting started, but the directors insisted I should put in my bill, so I told them we would call it \$50, which was about \$1 each for the applications taken. Our local conditions are anything but easy in closing. The distances are far—our farthest loan is some 25 miles—and we cover a territory something like 12 miles in the other directions. In order to make the appraisements as cheaply as I could I bunched the applications and had the loan committee put in full time. Same way with my work. I called in the board and we kept busy until they were done. I spent eight full days with the Government's appraiser. If there is anything further I can give you I will gladly do so.

Yours very truly,
J. E. PAPDOCK.

HISTORY OF A FEDERAL FARM LOAN

Process of procuring one is simple, safe, and satisfactory.

The history of a Federal farm loan is one with which not many readers are familiar. A study of the steps involved will give to anyone a better knowledge of this new system of financing the farmers than they can possess without it.

The farmer decides that he wants a loan.

He writes to his Federal land bank or to the Federal Farm Loan Board at Washington for information.

He is informed that there is a national farm loan association having jurisdiction over his land—or that there is not.

If none of the more than 3,000 national farm loan associations in the United States has jurisdiction over his land he may have to join with nine or more of his neighbors, who with him want to borrow an aggregate of \$20,000 or more, and organize such an association.

If he does so organize he will be furnished with blanks and instructions.

If he is under the jurisdiction of an association already formed and doing business, he is told how to proceed.

He joins the association by making application and being voted in.

He makes out an application for his loan and sends it to the Federal land bank.

His land is appraised by a loan committee of three belonging to his association. The association has some liability on the loan and must say what it thinks is a safe loan on that farm.

The land is then appraised by a Federal appraiser appointed by the Federal Farm Loan Board at Washington.

He gets an abstract of title, so that the Federal land bank may know that he is the real owner of the farm.

The title is examined by the title examiners of the Federal land bank.

The title, if imperfect, is perfected by the borrower under instructions of the bank.

When the title is approved the money is sent to the borrower to be used for the purposes specified in his application.

The bank, having parted with the money, must now get the same amount back into its treasury, so as to be able to make another farmer a similar loan. So it takes the mortgage to an officer of the Federal Government called a registrar, who is appointed by the Federal Farm Loan Board, and assigns the mortgage to the registrar, along with enough more mortgages to amount to \$250,000.

The registrar then notifies the Farm Loan Board in Washington that he has received mortgages to the amount of \$250,000 and asks permission to authorize the Federal land bank to issue farm loan bonds to that amount.

But the operation is not yet completed. The applications for loans on which these mortgages were made are then sent to the Federal Farm Loan Bureau in the Treasury Department at Washington, and there examined. Among them is the application of the farmer mentioned in the beginning of this article. If any loan

is found among them which in the opinion of the Federal Farm Loan Board ought not to have been made, it is rejected from the issue of bonds. The registrar is ordered to return that mortgage to the bank and require the bank to assign to him another or others in its place.

The Federal Farm Loan Board grants the permission and the bonds are issued. These bonds are in denominations of \$25, \$50, \$100, \$500, and \$1,000, and bear interest at the rate of 5 per cent. The mortgages bear interest at the rate of 5½ per cent. So the bank has a profit of one-half of 1 per cent on which to live and do business.

The bank then sells these bonds to investors and thus gets back its \$250,000, which it then proceeds to lend again to farmers.

Loans may be rejected at Washington for a variety of reasons. Among these are the following:

The security may not be acceptable to the Federal Farm Loan Board.

The borrower may not be an actual farmer carrying on the farm either by his own or hired labor. If he rents his land out he can not borrow.

The loan may not have been made for a legal purpose.

The land mortgaged may not be a real farm.

But most of the loans, owing to the co-operation between the Federal Farm Loan Board and the Federal land banks, are accepted. Those not accepted can not be made a part of the security for Federal farm loan bonds, and the banks are obliged to carry them. When the loan of the farmer has gone through, however, he has his debts financed for a period of 35 years at 5½ per cent, and somewhere, perhaps a thousand miles from him, some person of whom he never heard has a 5 per cent bond, due in 20 years and payable in five years.

The borrower has found his money and the investor has found his investment.

THE WAY TO LEVY ASSESSMENTS

An equitable method can always be found to fit all conditions.

National farm loan associations are bodies corporate, and have certain expenses. These expenses must be met out of the revenues of the corporation, and if it has at present no revenues, assessments must be levied to meet them. Such assessments can not be levied by the officers of the association until authorized to make them by vote of the members.

The principal expenses to borrowers have to be paid when the loans are made, and are caused by the appraisal of the land by the loan committee and the drawing of the various papers. The borrower's abstract he pays for himself, but the expenses of the loan committee and some other charges are association charges, and must be met by means adopted by the association. Under the law no charges can legally be made to

WHERE THE MONEY FOR FARM LOANS COMES FROM

(Continued from page 1.)

they were taken under the mortgage they would not sell for enough to pay the mortgages. If they failed to pay the mortgages, the farmers would lose the money they have invested in the stock of their farm loan associations. If that failed to make up the losses, the farmers in the bankrupt associations would be liable to an assessment of another 5 per cent on their stock. If there were not enough collected thus, the capital of the banks would be drawn upon, as well as their surplus; and, finally, the Federal farm loan bonds could not be paid. Long before that state of things could be reached investors would cease buying bonds, the banks would be unable to get money to loan, and the system would break down. We should revert to the old system of loans through mortgage companies for short terms only.

That is why the Federal land banks are strict about security. That is why the Federal farm loan system does not offer "easy money" to farmers who can not give the best of security.

And that is why every farmer who has money to invest should invest in Federal farm loan bonds, which he can buy of any of the Federal land banks or from the Federal Farm Loan Bureau, Washington, D. C. They pay 5 per cent interest. The interest is paid semiannually. They are exempt from all taxation. They offer a splendid field for the farmer who has money to invest. They can be had in small denominations—\$25, \$50, \$100, \$500, and \$1,000. If all the farmers who have money to invest will put it in Federal farm loan bonds they can buy all the bonds of the banks.

the borrower, except those either especially provided for in the Federal farm loan act, like the costs of appraisement by the Federal farm loan appraiser and the determination of title, or those assessed by the association in a regular or special meeting. The officers of the association can not make these charges unless authorized to do so.

If a membership fee is charged to members of the association on coming in, as is sometimes the case, this fee must be fixed by vote of the association. Whatever payment is made to the loan committee for appraising the farm must be made in accordance with a vote of the membership, and not by the action of the officers of the association.

The following is quoted from a western appraiser: "A very prominent man said that following the acceptance of loans by the Federal land bank in his vicinity values had steadied and within five months more land had changed hands than in the five previous years.

"Another, a real estate agent, said the value of land was never questioned when told there was a Government loan upon it."

BUY A FARM LOAN BOND.

FARMERS SHOULD BUY FARM LOAN BONDS

Safer than wheat in the bin, and exempt from taxes, rust, and rats.

The extent to which farmers have begun to buy Government bonds has astonished many people. They will buy more bonds in the future than in the past, it may safely be predicted. Whenever any people gets the bond-buying habit, it grows on them. After a man or woman has once begun to put away in a safety deposit vault a collection of good bonds, on which the interest is regularly paid, and on which it is easy to borrow money or raise funds by sale at any time, the old habit of keeping the money itself on hand will pass away.

Save money and buy bonds.

Federal farm loan bonds may be bought at almost any time at any of the 12 Federal land banks, or of the Federal Farm Loan Bureau at Washington. They bear 5 per cent interest. The interest is paid semiannually. People who have only small sums to invest may buy "baby" farm loan bonds in denominations of \$25, \$50, or \$100. For those with larger sums to invest bonds may be obtained in the five-hundred and thousand-dollar denominations.

Buy Federal farm loan bonds and forget about the taxes on them. Neither the township, town, village, city, school district, county, State or United States Government can tax them. This exemption from taxation is offered so that the farmers will no longer have to pay taxes through increased interest rate on what they owe. The income from Federal farm loan bonds is also exempt from taxation.

The retired farmer had far better, in most cases, sell his farm to a good tenant and invest the proceeds in Federal farm loan bonds. He is lucky indeed if he can make his farm earn 5 per cent on its value by renting it; and he can scarcely ever do anywhere near that well over and above taxes, repairs, upkeep, and insurance. He can get 5 per cent net by buying Federal farm loan bonds.

Suppose the farm is worth \$20,000, and some good tenant farmer, who would build the farm up if he owned it, although in renting it it runs down, has saved \$5,000, and wants to buy the place. The owner may not see where he could invest the money so as to be safe, and therefore refuses the offer. But he might accept if he thought of the possibilities open to him.

He could accept the \$5,000 from the tenant and deed him the farm. There would be still \$15,000 coming to him. He could allow the tenant to give a first mortgage for \$10,000 for a Federal farm loan, thus paying him \$15,000 in cash. The balance, \$5,000, could be secured by a second mortgage. He could accept this second mortgage safely, because it would be second, not to a mortgage which would be likely to be foreclosed, but to a long-time amortized mortgage, which he could assume and carry on himself if the purchaser failed, but which would be so easy to carry that there would be little likelihood of his failing. Anyhow, the first mortgage would be given for money all of which, with \$5,000 in cash of the purchaser's money, would be in the hands of the retired or retiring farmer. He would be

safe because he would be getting all the cash involved.

He could then invest the \$15,000 in Federal farm loan bonds.

These bonds are exempt from taxation, and on them he would be paid interest to the amount of \$375 semiannually, or \$750 a year. He would also receive, say, 6 per cent on the \$5,000 of second mortgage, or \$300 a year, but on this he would in most States be taxed. His income, however, would be more than \$1,000 a year, with no worry, no responsibility—and the farm would be in the hands of a working owner instead of a tenant.

Federal farm loan bonds are the joint liability of all the twelve Federal land banks. They are secured by all the mortgages owned by the Federal land bank issuing them. None of these mortgages can exceed 50 per cent of the appraised value of the land mortgaged, as fixed by a Federal appraiser, plus 20 per cent of the permanent insured improvements. All mortgages are further secured by the investment of 5 per cent of the face of his loan which every borrower makes in the stock of his association and reinvested in the stock of the Federal land bank and by the liability to an additional amount of 5 per cent on his stock which each borrower assumes for the debts of his association.

The bonds are engraved by the Bureau of Engraving and Printing, at Washington, and are protected from counterfeiting the same as the currency in your pocket. No choicer investment was ever offered. They are due in 20 years and payable in 5 years.

Would not the retired farmer above mentioned make more clear money by the investment described than he can by renting his farm? And would it not be better for everyone concerned if he would do so? Would not the members of his family be better off with \$15,000 in bonds in a vault in case of his death than with a farm on their hands?

But the retired farmer is not the only sort of farm owner who ought to invest in Federal farm loan bonds. A great many farmers are money loaners. Federal farm loan bonds, exempt from taxation, would seem to be better for them than any mortgages they can get for themselves—and they can get them at any time in such amounts as they desire, thus keeping all their money working all the time.

THE IMPORTANCE OF PROMPT ABSTRACTS

Some associations require prepared abstracts before admittance to membership.

Many applicants for loans from the Federal land banks suffer delays because they are not familiar with the necessary requirements for procuring their loans. Because some kinds of work may be held up by so-called "red tape," it is natural to conclude that applications for Federal farm loans are held up by this

ruddy-colored hypothetical thing; but the fact is that where abstracts have flaws it takes time for the Federal land banks to determine which faulty abstracts can be righted and accepted, and which are irremediable.

It is true that certain private and corporate money lenders will loan money with less questioning than the Federal land banks will. There is a good reason for this: Private concerns charge for commissions and renewals, which recur every few years, and also a rate of interest high enough to cover any losses they may have. The Federal farm loan system, with loans extending possibly over two generations, must not take any chances for the members of the national farm loan associations, because every loss through faulty title falls on the assets of the associations themselves. Obviously then, every applicant should be in favor of having only reliable security accepted.

The Federal Farm Loan Board has made certain requirements for abstracts, but none of these is of such a character as to puzzle any good lawyer or abstractor. However, if applicants wish to be fully informed as to requirements, they should write to the Federal land banks of their respective districts.

Every applicant for a loan under the Federal farm loan system should know first of all whether his evidences of title are clear and without question—for if the applicant can not present a clear title to the Federal land bank, time is wasted and in the end the application may be rejected. Since every applicant, sooner or later, must secure evidences of title, it would be wise to have an abstract brought up to date before entering an application for a loan.

Some national farm loan associations are requiring that every prospective member shall have his abstract prepared before he will be considered for membership. Such a requirement should be of benefit to the association itself; for the work of the local loan committee, the directors, and the secretary-treasurer thereby is postponed until the title is cleared up. The work of closing loans by the bank is greatly expedited. In fact, this simple requirement is far-reaching in its effects and benefits, and since every applicant who secures a loan must ultimately secure his abstract of title, and since it is neither unjust nor any additional expense, it would seem to be a practical by-law for national farm loan associations.

Although the percentage of incurably bad farm titles in the United States does not exceed 1 per cent, this does not necessarily mean dispossession, but merely that the title is not marketable from a legal point of view. Most so-called incurable titles cure themselves by the passage of time through statutes of limitation.

The secretary-treasurers and other national farm loan association officers of Texas recently closed a four days' convention, held on successive days at Houston, San Antonio, Waco, and Dallas, so as to accommodate as many as possible. Agricultural community progress depends more upon the officers and members of local associations than upon the Federal land bank or the Farm Loan Board. Keep up your interest in your association.

Eas...e

The Borrowers' Bulletin

ISSUED BY THE FEDERAL FARM LOAN BUREAU, U. S. TREASURY DEPARTMENT

VOL. 1

WASHINGTON, D. C., JUNE-JULY, 1918

No. 6

FEDERAL FARM LOAN BONDS

Supply funds to finance farmers—An educational and advertising campaign that was successful.

The recent campaign for selling farm-loan bonds might almost be called a phenomenal success, following as it did upon the heels of the third Liberty loan and Red Cross drives. As many bonds were sold to the public in two weeks as it was expected would be placed in six weeks. Any doubt as to the public appreciating or desiring these new bonds, which are tax-free and instrumentalities of the Government, has been dispelled for all time.

But campaigns, no matter how meritorious, can not manage themselves.

There was a man who wanted to do something big and patriotic, and for which he should receive no pay. As he had made a success in the field of agricultural advertising, something connected with agriculture naturally came to his mind. It was farm-loan bonds. He could tell people in his way what they are and why they should buy them. His way was through the advertising concern of which he is the head. But first he must get the consent of the Farm Loan Board. He asked permission to do this work at his own expense, "without money and without price."

Mr. H. H. Charles, of the Charles Advertising Service, is the man to whom the Federal Farm Loan Board acknowledges a debt of gratitude for a brilliant and successful educational and advertising campaign on Federal farm-loan bonds. Thanks are also due and given to the many magazine and newspaper publishers and others who helped to make this first big publicity effort of this kind so successful.

In reviewing the campaign and its splendid results, Mr. Charles has written a letter, which shows the spirit in which he took up this particular work. His letter is given herein to the readers of the BULLETIN that they may share in Mr. Charles's stimulus—that we are all war workers—whether behind the plow, the bayonet, or the pen:

"Farming is the first essential. As long as the war lasts the farms of this country must supply the food for our own Army and population, and in addition for large portions of the populations of France, Belgium, England, Italy, and several of the neutrals. This must be done or some of our allies will starve. Our farmers are short of man power; therefore they must have capital for additional labor-saving equipment, etc.

"No one thing can win the war, but any one of many things can lose the war.



Bullets are no good without guns; guns are no good without men; and men are no good without food.

"It is quite obvious that increased production of food is one essential to the winning of the war. It is equally obvious to all thinking people that a great deal of money is necessary to finance the food producing industry—to furnish the capital needed to operate the farms.

"For several years I have had intimate knowledge of the financial needs of hundreds of farmers in New York State. Consequently it has been very easy for me to visualize the urgent necessity of supplying funds to the farmers throughout the United States at a fair rate of interest and upon an amortization plan.

"Believing in the merits of the Federal farm loan system, and knowing the absolute necessity of financial aid to the farmers, if they are to produce the food for the winning of the war, I saw an opportunity where I could contribute something toward victory. I offered my services gratis to the Federal Farm Loan Board.

"That 'something' which I could contribute was the conducting of an educational and selling campaign with a double mission. First, to tell the farmer that through the Federal Farm Loan Board he could borrow money on long time and easy terms. Next to tell the investor, large and small, that Federal farm loan bonds are an excellent security, one that pays a good rate of interest and is exempt from every form of taxation—even the income from them is exempt.

"It is really surprising that there are so many farmers in need of financial help and who do not know of the Federal farm loan system. In order to inform the farmer and investor as fully as possible, but without going into details of the farm loan act, page advertisements were written. Some smaller advertisements were prepared for the daily and weekly papers of the small towns and cities.

"Nearly all classes of publications were appealed to for cooperation and, in face of heavy contributions of space and funds for Liberty loan, Red Cross, and war saving stamp drives, they responded promptly and generously. Implement trade papers, hardware trade papers,

(Continued on page 6.)

WHAT A FEDERAL FARM LOAN BOND IS

An investment secured by first mortgages on farms worth at least double—Sound as the earth and safe for as long as mankind needs food and clothing.

The Federal farm loan bond is a new form of security in this country. It is an old form of security in several European countries. For many years farm loan bonds, based on a system of issue fundamentally similar to our Federal farm loan bonds, have been selling in European bond markets at prices frequently as high as and sometimes higher than the prices paid to investors in Government bonds of the same countries, bearing the same rate of interest.

Why is it that the Federal farm loan bonds have appealed so strongly to investors everywhere? A brief study of our Federal farm loan bonds will answer that question.

Every \$1,000 worth of our Federal farm loan bonds has behind it as security \$1,000 worth of first mortgages on the farm lands of the United States worth at least \$2,000. Every one of these farms is cultivated by the owner himself, either in person or by hired labor. In all the world there can be found no better security. Conditions may change, Governments may rise or fall, inventions may multiply, but as long as human beings inhabit this globe the production of food-stuffs and of fabrics which feed and clothe mankind can never become obsolete—can never be anything but the basic business of all our industries.

The increase of population, the development of arts and sciences, the discovery of new processes and methods can only serve to increase the demands upon farm lands and enhance their value. The modern tendency to build up great cities tends to throw on every farm an increasing demand for its products. Farm lands are becoming year by year more valuable in the hands of their owners as compared with almost any other form of value.

When to this fundamental and unalterable security is added the assurance of prompt payment of principal and interest, guaranteed in the case of every bond by the joint liability of our 12 great Federal land banks with over \$10,000,000 capital, operating under governmental supervision, these bonds may fairly be characterized by the phrase formerly applied to British consols—the premier security of the world.

Of added interest at this time is the fact that the Federal farm loan bonds are exempt from every form of taxation—Federal, State or local—with the single exception of succession and inheritance taxes.

(Continued on page 3.)

INSTALLMENTS ON LOANS MUST BE PAID PROMPTLY

Amortization, a distinguishing and vital feature of the farm loan system, requires that borrowers must do their part if the banks are to do theirs.

Prior to the passage of the farm loan act, the word "amortization" in this country was little used and its meaning was not generally understood. As an illustration of its unfamiliarity, the wife of a prominent Congressman once said to the writer, "Do tell me what amortization means; I know it has something to do with death?" On another occasion a young stenographer transcribed the word into "mortification"; which, taking in the fact that both words have a common Latin root, was not so far wrong.

The farm loan act, and the various circulars, bulletins, magazine, and newspaper discussions of it, have brought the word "amortization" into general use, and the offering of mortgage loans on farm lands repayable in small installments (a requirement of the farm loan act) is now so generally being followed by mortgage loan companies and life insurance companies, that no elaborate explanation is longer needed as to the meaning and plan of amortization payments. The underlying principle of amortization—killing off mortgages—is the payment of interest only for the time the actual capital is used, and though requiring small continuous payments toward the return of this capital, the borrower is charged interest only for the time the actual capital is used and interest only on the unpaid balance of his debt.

The fundamental purpose of the farm loan act is to encourage agricultural development; this development could only be brought about by providing capital for those engaged in agricultural pursuits, at a reasonable rate of interest and repayable in small amounts.

In the organization and operation of the Federal land banks, the principle usually underlying banking institutions is reversed: The lender is ordinarily the beneficiary; in the case of the Federal land banks the beneficiary is the borrower; that is, banks are usually regarded as lenders of money, are organized for the benefit of the lender, the benefit to be measured by the profit derived, while Federal land banks have been organized for the benefit of the borrower, the benefit to be measured by the lowest rate of interest obtainable, the very low cost of procuring a loan, and the long time allowed for repayment.

Borrowers' banks.

Federal land banks are borrowers' banks. They, like other borrowers, can not procure capital—which they obtain through the sale of bonds—unless they have the confidence of the lenders, both as to the security offered for the return of the capital and as to promptness in the payment of interest.

The security for the ultimate return of the capital is fixed by law at double the amount borrowed in agricultural land values, and is beyond question.

But the promptness in the payment of interest finally depends upon the customers of the Federal land banks, the borrowers from them, the members of National farm loan associations, the farmers for whom these banks have borrowed this capital, in order that they may lend it again at a low rate of interest and thus carry out the purpose of their being—the encouragement of agricultural development.

It is necessary, therefore, in order to retain the confidence of the lenders, which means a constant and ready market for farm loan bonds, that the borrowers' banks must meet the payment of interest promptly at maturity. They can not do this indefinitely unless their customers—the farmer borrowers—meet the interest payments on their mortgages with equal promptness. Promptness is necessary, not only because it is essential to confidence, but also because the whole plan of repayment by amortization is based upon reinvestment of the small payments required on account of the principal of the debt.

It is true the Federal land banks must pay the interest on their bonds on the day of maturity, whether the farmer borrower pays or not. The banks will always do this, and can stand default in payment by some of their farmer borrowers; but the farmer borrower is the fundamental unit of the great rural credit system, enacted for his benefit. Any borrower who can do so but fails to live up to his contract in the matter of promptness is a slacker. He does injury to himself, to his neighbor borrower, and to the whole system. The law provides a remedy for such, and the Federal land banks must enforce the law, in justice to all, and for the preservation of the system itself.

An erroneous impression.

Some borrowers have imagined that if they deferred the payment of the installments as agreed upon to a more convenient season and paid at the rate of 8 per cent per annum for the convenience they were complying with their contracts and only availing themselves of a privilege extended by the law. This is a grave error.

Interest in the case of default at 8 per cent was intended as a penalty, not as compensation. No one engaged in agriculture for a livelihood can afford to pay continuously 8 per cent per annum for the use of money. If 8 per cent does not secure the payment of installments at maturity it is a defect in the farm loan act, for a similar law, based on this rate of interest, would be self-destructive by imposing upon the farmer a burden which he would not be able long to bear.

The cooperative spirit.

The great lesson inculcated by the principles underlying the farm loan act, the organization of Federal land banks, and the contributory cooperating farm loan associations is unselfishness which is manifested in a proper consideration for the other fellow, the lasting and great benefit to the individual which he is able to contribute to the community as a

whole. It is also enlightened selfishness, for what is good for the neighbor is best for the individual borrower. A recent writer says: "In individual unselfishness lies the future happiness of mankind. The age of competition has passed, the age of combination for profit is passing, the age of emulation in unselfishness is about to dawn. The culmination of unselfishness will lead to the elimination of poverty; then, indeed, will the regeneration of our social system be begun." And, after all, the thing which produces such results appeals to really enlightened selfishness.

The growing practice of amortizing farm-mortgage loans is an evidence of the cooperative spirit of our day; but co-operation implies the doing of something by more than one person or agency. Each must meet the other, and *meeting* does not mean that either one should go *all* the way. There is a moral and legal responsibility at each end.

The Federal land banks stand ready to carry out their part, as provided by the farm loan act; but the men at the other end of the cooperative agreement—the borrowers—must also do their part. Only in this way can the Federal farm loan act and the system it created perform the mission of "promoting agricultural development" for the largest number possible.

THE FARM LOAN SYSTEM AND LAND VALUES

Tendency is to destroy speculative element and stabilize land values over entire country—Back-to-the-landers and tenant farmers are thus protected against unscrupulous dealers.

The question is often asked as to whether or not the Federal farm loan system will not result in a great increase in land values. It is, of course, a fact that every social, financial, economic, and governmental step in the direction of progress is finally capitalized, so far as its financial benefits are concerned, in land values. The Federal farm loan act is, probably, such a step. In view of the fact, however, that the loans made to farmers are based upon agricultural economics and upon the value of land for productive purposes, its effect upon land values will be rather in the direction of stabilizing them with reference to the productive value of lands.

In some parts of the country farmers are refusing or protesting against loans offered by the Federal farm loan bureau for two reasons: First, that the acceptance of the Government appraisements would be "a black eye" to the neighborhood; second, that the loans which can be offered under such appraisements are not sufficient to refund the outstanding mortgages already on the land. This is because nominal or speculative values have advanced beyond real values.

The supreme pest of agriculture in undeveloped regions is the unscrupulous

(Continued on page 6.)

MERGING TWO OR MORE ASSOCIATIONS

In the interest of economy, efficiency, cooperation, and community advancement it is often desirable.

For various reasons it is often desirable that two national farm-loan associations be consolidated or merged. This is most frequently true at that stage when the associations or one of two associations does not possess a charter.

It frequently happens that two groups of farmers living in the same general neighborhood make independent efforts to form national farm-loan associations. Perhaps both fail to secure the minimum requirements of 10 members and \$20,000 in loans. Perhaps one of them fails. Perhaps there are three or more groups forming, all of which fail, or success is attained by only one. Is it, therefore, necessary that all, or all but a few, be disappointed? Not at all. The thing to do in such a case, or in any case in which it is advantageous to join forces, is to merge the formed or forming associations by consolidation. The plans for doing this have been worked out and are rather simple.

Where neither association has been chartered it is necessary to call a meeting of the farmers composing the two organizing groups and by action of the meeting do the following things:

1. Agree upon a name for the single association to be formed.
2. Adopt articles of association according to established form.
3. Elect a board of directors.
4. Pass a resolution accepting the members of both or the several associations as members of the merged one, mentioning them individually.
5. Ratify the acts of the respective loan committees of the two or more associations and approve the loans recommended.

All these proceedings should be recorded by the secretary, and a copy of the record of proceedings should be attached to the articles of association and forwarded to the Federal land bank with the application for a charter.

The territory in which the new association is to be authorized to do business should be definitely described so that its outlines can be found on maps—by county lines, townships and ranges, named watercourses, or other territorial designations which can be located on maps commonly obtainable. Do not use the names of civil townships.

When a group of farmers find themselves unable for any reason to obtain a charter they are often able to merge with an association which has already received a charter. It may be necessary for the chartered association to enlarge its territory to take them in; and this may ordinarily be done, and always can be done unless there is some good reason for not doing it.

In these cases the chartered association should hold a meeting, preferably attended by representatives of the unchartered one, and should take the following action:

1. Adopt an amendment to its articles of association if necessary, adjusting its territorial jurisdiction to the needs of the new members.

2. Pass a resolution accepting by name the members of the unchartered association as members of the chartered one.

3. Ratify the acts of the loan committee if satisfied with such acts, of the unchartered associations, and approve the loans applied for.

4. Attach a copy of the record of these proceedings to the application for the amendment to the charter and send the papers to the Federal land bank.

The application for amendment of charter in the latter case, and the application for a charter in the former one, will go forward to the Farm Loan Board in Washington for approval, if approved by the bank. If disapproved by the bank the disapproval will be reported to the Federal Farm Loan Board, with the reasons for disapproval. All charters and amendments are ordered by the Federal Farm Loan Board.

The charters of national farm loan associations may be amended so as to alter the name or change the boundaries of the territory in the manner above described at any time. This right does not depend upon the desire to merge with another association. At any meeting of any association properly called resolutions may be passed asking for amendment. The proper blank forms for such resolutions have been prepared by the Federal Farm Loan Board and may be obtained by any association from its Federal land bank. The bank will also give instructions for filling out the blanks and making application for amendments.

Most of the amendments hitherto granted have been required in order that new applicants may be taken in, to enlarge territory, and to make possible the merging of groups of farmers who have been trying to organize and have failed. There are, no doubt, associations which were organized to cover too much territory, and which should amend by cutting it down. Such associations, however, may confine their operations by taking in no members outside certain limits. In other words, there is no law requiring the admission of members all over the territory if it be too large.

FARM LOAN BONDS ARE LAWFUL SECURITY

Counsel for Federal Reserve Board says notes thus secured may be discounted by national banks, as they do not constitute a loan on real estate.

In addition to the numerous good features of Federal farm-loan bonds, the Comptroller of the Currency has recently advised the Farm Loan Board that they are lawful security for loans made by national banks.

Already attention has been called to the fact that these bonds are accepted as security for postal savings deposits from local banks.

The comptroller's letter and that of the counsel of the Federal Reserve Board are as follows:

"DEAR MR. SECRETARY: I have your letter of the 7th instant, making inquiry as to whether or not a national bank may lawfully make loans on the security of farm-loan bonds issued under act of July 17, 1916.

WHAT A FEDERAL FARM LOAN BOND IS

(Continued from page 1.)

For the first time in the history of this country a great farm loan system is established on a basis of strict governmental supervision, control, and examination. This fact is one of great interest to investors. The Federal farm loan act, approved July 17, 1916, recites as one of its objects "to create a standard form of investment based upon farm mortgage." This investment is embodied in the Federal farm loan bond—a security which absolutely merits the description "standard."

"This question has been submitted to counsel, and I inclose herewith a copy of the opinion rendered, which holds that notes secured by farm-loan bonds may legally be discounted by national banks. This opinion has the approval of the comptroller's office.

"Sincerely yours,

J. S. WILLIAMS.

W. W. FLANNAGAN, ESQ.,
"Secretary, Federal Farm Loan Board, Washington, D. C."

JUNE 10, 1918.

"Right of national bank to make loans secured by farm loan bonds."

"MY DEAR MR. COMPTROLLER:

"You asked whether in the opinion of this office, national banks are prohibited by law from making loans on the security of farm loan bonds issued under authority of act of July 17, 1916, and known as the farm loan act.

"The question involved seems to be whether the loans in question come within the classification of loans on real estate. Under the national bank act, national banks are permitted to lend on personal security and are impliedly prohibited from making loans on security of real estate, except where such security is taken for a debt previously contracted, or where the loan meets the requirements of section 24 of the Federal reserve act.

"In the opinion of this office, a loan on the security of a farm loan bond should not be classified as a loan on real estate. It has been consistently ruled by your office in accordance with decisions of the Supreme Court of the United States on this subject, that a note secured by another note as collateral, such collateral note in turn being secured by real estate, does not constitute a loan on real estate. In such case the security for the note discounted is the obligation of the maker of the collateral note and the fact that the maker of this note is in turn secured by real estate does not make the security which the bank receives a real estate security.

"In the case of farm loan bonds, these bonds are the obligations of Federal land banks. The bonds, as I understand it, are not secured by mortgage on real estate, but by the notes or other obligations of various farmers held by the farm land bank. In legal effect, therefore, the farm loan bond is in the nature of a collateral trust bond and the security for these bonds consists of the personal obligations of various farmers, which obligations are in turn secured by real estate.

"In the opinion of this office, therefore, notes secured by farm loan bonds may be discounted by national banks.

"(Signed) M. C. ELLIOTT,
"Counsel, Federal Reserve Board."

FARM LOAN DIRECTORY

A column of boiled-down information about the Farm Loan Bureau, its organization and personnel.

Location: Treasury Department, Washington, D. C.

Members of board: WILLIAM G. McADOO, Secretary of the Treasury and chairman ex officio; GEORGE W. NORRIS, farm loan commissioner; HERBERT QUICK, W. S. A. SMITH, and CHARLES E. LOBDELL.

Secretary: W. W. Flannagan.

THE FEDERAL LAND BANKS.

District No. 1.—Springfield, Mass., serving the States of Maine, Massachusetts, Vermont, New Hampshire, Rhode Island, Connecticut, New Jersey, and New York.

District No. 2.—Baltimore, Md., serving the States of Pennsylvania, West Virginia, Maryland, Delaware, Virginia, and District of Columbia.

District No. 3.—Columbia, S. C., serving the States of North Carolina, South Carolina, Georgia, and Florida.

District No. 4.—Louisville, Ky., serving the States of Indiana, Ohio, Kentucky, and Tennessee.

District No. 5.—New Orleans, La., serving the States of Louisiana, Mississippi, and Alabama.

District No. 6.—St. Louis, Mo., serving the States of Illinois, Missouri, and Arkansas.

District No. 7.—St. Paul, Minn., serving the States of North Dakota, Minnesota, Wisconsin, and Michigan.

District No. 8.—Omaha, Nebr., serving the States of Wyoming, Nebraska, South Dakota, and Iowa.

District No. 9.—Wichita, Kans., serving the States of New Mexico, Kansas, Colorado, and Oklahoma.

District No. 10.—Houston, Tex., serving the State of Texas.

District No. 11.—Berkeley, Cal., serving the States of California, Nevada, Utah, and Arizona.

District No. 12.—Spokane, Wash., serving the States of Idaho, Washington, Montana, and Oregon.

These banks are engaged in lending money to farmers on first mortgages on farm lands at a rate of $5\frac{1}{2}$ per cent. The mortgages are repayable on the amortization or installment plan through periods ranging from 5 to 40 years. Loans may be made up to 50 per cent of the appraised value of the land plus 20 per cent of the value of the permanent insured improvements for approved agricultural purposes.

A farmer desiring to become a borrower should address a letter of inquiry to the Federal land bank of his district asking for the name of the farm loan association nearest him, or for papers to enable him to organize an association if none has been organized in his community.

HOW TO GET GOOD FIRE INSURANCE CHEAPLY

Mutual fire insurance companies can usually supply the demand, but where this is impractical farmers with the help of the Federal land bank may organize their own company.

One of the Federal land bank presidents suggests that in any section where it is difficult for farmers to get fire insurance, Federal land banks could perform a service to themselves and to the farmers by assisting in the organization of mutual fire insurance companies. Concerning this subject on which he has had many years of acquaintance, and some experience, he says:

\$9,530,791 PAID OUT TO FARMERS ON MORTGAGE LOANS IN MAY BY FEDERAL LAND BANKS

During the month of May \$9,530,791 were loaned to farmers of the United States by the Federal land banks on long-time first mortgages, according to the monthly statement of the Farm Loan Board. The Federal land bank of Spokane leads in amount of loans closed, \$1,511,470. The other banks closed loans in May as follows: St. Louis, \$1,209,650; Houston, \$1,138,716; Omaha, \$1,020,800; Columbia, \$916,905; New Orleans, \$753,500; Wichita, \$639,100; Louisville, \$560,600; Baltimore, \$508,600; Springfield, \$465,150; Berkeley, \$436,600; and St. Paul, \$369,700.

On June 1 the total amount of mortgage loans placed since the establishment of the Federal land banks was \$101,376,378, covering 44,765 loans closed, as against \$91,951,886 on May 1, covering

40,451 loans closed. During April, 4,969 applications were received, asking for \$14,001,733. During the same period 5,260 loans were approved, amounting to \$12,029,137. Altogether, 131,599 have applied for loans under this system, aggregating \$313,947,568.

The grand total of loans closed is distributed by Federal land-bank districts as follows:

St. Paul	\$15,798,600
Spokane	15,737,755
Omaha	12,459,190
Wichita	11,726,300
Houston	8,894,508
New Orleans	6,844,815
St. Louis	6,339,585
Berkeley	6,230,200
Louisville	5,968,200
Columbia	4,109,680
Baltimore	3,916,350
Springfield	3,351,195

POETRY ENTERS THE BUSINESS WORLD

This gentle goddess notifies a Western association when documents are ready for signatures.

At least one secretary-treasurer is able to see poetry in the work of his national farm-loan association.

Mr. Ben C. Camp, of the Columbia National Farm Loan Association, uses the following "form" in notifying his association members that mortgage papers are in his possession for their execution; and, as no delays of any sort have been reported, it would indicate that poetry still maintains its charms, even though on business bent.

Now come to town and bring this sheet,
And make your Federal loan complete;
To note and mortgage sign your name,
And have the notary swear the same.

For years at five and a half per cent,
Your city neighbor's cash is lent,
Come hail or flood, come freeze or drought,
You've forty years to pay it out.

After the notary has done his part,
Then back to me the papers start,
That I the note may countersign,
And send it scurrying down the line.

I tell you, friend, we all must own,
It's great to get this new style loan.

This BULLETIN is issued for free distribution to all borrowers or prospective borrowers under the Federal farm loan act. It contains some observations based upon current experiences of the Federal land banks which may be helpful to those who borrow later. It is intended to impress upon the borrower the necessity for uniformity and promptness of action, and suggests ways to eliminate needless delays in the making of loans. Additional copies may be had by addressing the Federal Farm Loan Bureau, Treasury Department, Washington, D. C.

BUY A FARM LOAN BOND.

SEND IN YOUR QUARTERLY REPORTS

They are important in developing the system and help to make valuable statistics—Are also a requirement by law.

The majority of the secretary-treasurers have made out their quarterly reports promptly. Some of them have not.

There are many good reasons why the effort should be made to get these reports in as called for. One is that the law requires it. Another is that the law requires that the Farm Loan Bureau see to it that the report is sent in.

Another good reason is that the reports are valuable. They are valuable to the Federal Farm Loan Bureau, and they are also valuable to the farmers.

Let us take one case. In a certain association the condition seemed good on the face of the record. Loans to the amount of \$38,000 had been made, and the association seemed to be in a healthy condition. When the quarterly report was sent in, however, it showed that there was widespread dissatisfaction with the appraisements. The Federal land banks look with favor upon conservative appraisements, because it is felt that safety first is the best watchword, especially for a new system, and that if the appraisement is too low it can be raised in the future, while if it is too high it may cause losses to those who pay for the benefit of those who have been dealt with too liberally. But in the case of this association it was not an ordinary case of dissatisfaction, but a real instance of appraisements which were unjustly low. Case after case was given in which lands had been sold for prices far above the appraisal of the Federal appraiser, and others of loans made by other lenders far in excess of those approved by the Federal appraiser. The Federal appraiser seemed to have been so straight that he leaned over backward.

All this came out in a quarterly report. It was read in the division of the bureau to which it was sent, and then referred to the member of the Farm Loan Board who gives attention to such things. He took the matter up with the land bank and found that the bank had already discovered that loans which they should have made had been denied to farmers. The whole matter will be corrected on a basis of safe conservatism, but not of refusal to make proper loans.

This is only one case. The quarterly reports throw a flood of light on the business. The neglect or refusal of a secretary-treasurer to make a report also throws a light, but of a different sort. Associations should see to it that the secretary-treasurer does his duty in the premises.

Many secretary-treasurers are now called upon for their third quarterly report. Blanks are sent out for this purpose. Duplicate blanks will be sent so that the secretary-treasurer may keep a copy. The keeping of this copy is important since a part of each future report will be carried forward from this one, and so on through the future.

The bureau at the time of sending out the last blanks previous to this writing failed to send out these duplicates. This was a case of mistake in judgment in the bureau and will not be repeated. It is the desire of the bureau that the work of making out these reports be rendered as easy as possible, and the furnishing of the duplicates will make future work of the same kind easier. Much thought has been given to the matter of making the labors of the secretary-treasurer as easy as possible.

To the secretary-treasurer who has held office continuously and who has kept the simple accounts required of his office, the making of the report is a matter of a few minutes only. In the 3,000 and more associations in the country, however, there are some secretary-treasurers who have succeeded to the office in partly organized associations and have not had turned over to them the early records. Others are handicapped by the loss of records for other reasons. In all such cases the only proper course is to advise the bureau of the difficulties and the early data so far as possible will be assembled and supplied. After that the matter of keeping the record and making subsequent reports will not be at all difficult, since later reports relate in the main to the progress of the association.

Get the records right and call for help if you need it.

Keep them right.

Make reports promptly.

These reports are of much importance in developing the system, ironing out maladjustments, and making the machine work.

BASIS OF LAND VALUE FOR LOAN PURPOSES

Low prices for farm products one year, high prices another, and war conditions generally, make sound judgment necessary for long-time loans.

In answer to complaints from borrowers to the effect that values as determined by the land bank appraisers are too low especially in north and east Texas where good crops were made and war prices received, the executive committee of the Federal land bank of Houston has given out the following statement:

"It is the judgment of the men responsible for the operation of this bank that now is the time to be cautious in placing loans for 34½ years at 5½ per cent interest; and they should not be swept off their feet and their sound judgment warped by the fact of good crops and unprecedentedly high prices for agricultural products. These prices are not normal and there is no greater assurance that they will continue for a series of years than were the prices of 1914, when cotton was raised and marketed at a loss of approximately 5 to 8 cents per pound, measured by the cost of production. It would not have been fair to landowners at that time to have denied any loan based on value because farming was wholly unprofitable; neither can this bank afford to follow calculations of values of crops, and therefore of land values when conditions are as abnormal in the other extreme as they were in the fall of 1914,

when according to the same method of calculation farm lands were worth less than nothing.

"Some loan companies are approving values for loan purposes in certain sections of the State in some instances which the Federal land bank does not feel free to adopt.

"In the first place, their loans are usually for a period of five years, and at a much higher rate of interest than this bank charges. At the end of five years this bank would only have collected 5½ per cent of the principal on its loans, whereas the average loan company will have collected a much larger interest and be in position to enforce the collection of its principal.

"Possible defaults in payment of farm mortgages, if any, will not be when good crops are produced and fair prices obtained, but will be when moderate crops are made and prices low. Men charged with the responsibility of administering the Federal farm loan act anywhere in the United States who would follow any other plan of valuation than that of a conservative estimate based on average crops and average prices would, in the opinion of the executive committee, abuse the responsibilities which they as said officers have assumed. They would also in pursuing such course endanger the safety of the system and contribute materially toward the destruction of its usefulness to the farmers and the interests of agriculture generally. We could not pursue a course more fatal to the best interest of this Government agency, which has for its purpose the aid of agricultural production and incidentally the acquisition of homes by tenant farmers, than to follow a temporary increase of land values in particular sections that have produced good crops and received prices three times the normal value of such products. To do so, would invite active and plausible criticism of the security of loans with the consequent inquiry as to the value of Federal farm loan bonds sold to the investing public based on such inflated land values.

"It is the purpose of the executive committee of this bank to extend credit based on fair and conservative values, but they feel that they must protect the interests of the bank and the farm loan associations, and thereby perpetuate the system to the end that it shall be able to serve successfully not only present borrowers, but the children and grandchildren of those obtaining the benefit of the low rate of interest and long and easy terms of payment, thereby protecting the interests of the bank as well as those of the borrowers."

Officers in War Draft.

The war draft has called a number of secretary-treasurers and other officers of national farm loan associations from their peace-time occupations, thus causing changes in the management personnel of quite a few associations.

It is important that the Farm Loan Bureau be advised of such changes of officers, and respectfully requests that it be done promptly, addressing all such communications to the Farm Loan Bureau, for the attention of the Division of Charters and Reports.

Buy a Federal Farm Loan Bond.

FARM LOAN SYSTEM AND LAND VALUES

(Continued from page 2.)

"colonizer." He finds his way into the factories, shops, and offices of the cities, and he makes his way among the tenant farmers of the fully developed farming regions, to lure back-to-the-landers and tenant farmers to the new and unfamiliar regions, locating these victims upon lands which either have no agricultural value or a value limited to certain special crops for which the market has not been established, or where the climate is unhealthy, or where the cost and expense of reclamation is beyond the power of the ordinary family. Generally speaking, the colonizer surrounds his lands with glamour of false optimism, sells the land for much more than it is worth, and leaves the poor settler to sink or swim as fate shall dictate.

Here is a case in point: A certain farm-loan association, the members of which are mostly intelligent, industrious people, engaged in poultry farming and some other lines of agriculture. The association had at the beginning 18 charter members, and the total loans approved by the local loan committee amounted to \$27,100. When the appraiser of the Federal farm-loan system visited these lands he was unable to recommend loans to the aggregate of more than \$15,500. One woman with 202 acres had 60 acres in actual cultivation, 142 acres in timber or forest growth, a \$6,000 house, and a \$750 barn. She had paid \$8,000 for this land, of which \$2,300 was in cash, had given a \$1,500 mortgage, and traded in property at a figure of \$4,200. She wanted a loan of \$3,500. Our appraiser gave the following valuations:

28 acres of tillable land in the bottom at \$50 an acre	\$1,400
32 acres of tillable land on ridge at \$15 an acre	480
100 acres of timber land at \$5	500
42 acres of timber land—No value.	

2,380

It will be seen that the woman had paid, not counting the extravagant improvements on the land, just about as much cash as the land was worth, and had given in addition \$1,500 in the way of a mortgage and \$4,200 in trade. She wanted a loan of \$3,500, but our appraiser cut the loan down to \$1,500, which she could not accept, because she was already too deeply involved through the wiles of the real estate agent.

Another member of this association applied for \$1,200 and offered as security a farm of 120 acres, which he had recently purchased for \$3,000. The soil is thin clay and the topography is rolling and broken. The Federal land bank was able to offer him only \$950.

The history of these two loans shows the bearing of an economic valuation of land in regions where the speculative element in values is very large. The president of the land bank in reporting on this case says: "In this section the real estate men have been very busy selling land to people in the cities, encouraging them to become farmers. The purchase price in many instances represents a trade value rather than a real cash value, and very often the people from the city, being unfamiliar with values, pay much more than the land is worth. Every member of our executive committee is more than anxious to be fair and give every applicant all they are really entitled to. In fact, I

sometimes think we are overzealous in this regard. Is it the opinion of the Farm Loan Board that we should grant a reappraisal in cases of this sort?"

In many of these cases reappraisals have been ordered not only once but twice, or even oftener. These people regard these values as shocking. They can not believe that they have been so terribly victimized, and when the matter is put before them plainly they utterly refuse to believe it after it is proven. In almost every case a reappraisement confirms the first appraisement. These land values can not stand in the clear, cold light of an appraisement which must according to the law be made according to the productive value of the land, which shall always be "the principal consideration." This, of course, is the productive value which the land has under the system of agriculture which prevails in that region and not according to the ideal system of agriculture which does not pay interest or amortization payments because it is not applied.

Such being the facts, it would seem that the effect of the farm loan act, so far as it has any effect, will be to establish a norm of farm values based upon the productive value of the land. This norm is not the productive value when the land is in some special crop or given special attention, but the general value of the land under our system of farming when put to general agricultural uses.

Under the circumstances it would not seem that it ought to generate any boom in farm land values.

WHOLE UNITED STATES IS NOW ORGANIZED

**National farm loan association
charters granted number over
3,100 — Wichita in the lead,
with Spokane and St. Paul
close behind.**

There are now—on June 27—3,106 national farm loan associations throughout the United States. This number will soon be reduced by about 50 because of cancellations of charters. Experience is teaching the wisdom of consolidating associations for reasons financial, social, and the saving of time and labor.

In the nature of things it can not be expected that the number of associations will grow as rapidly henceforth as during the first year of the Farm Loan Bureau's organization. National farm loan associations are now organized practically within reach of every farmer in the United States, and the few counties not so organized soon will be if they are agricultural in character.

The farm loan associations chartered are divided by Federal land-bank districts and States, as follows:

Springfield Federal Land Bank (total, 92): Maine, 10; New Hampshire, 2; Vermont, 7; Massachusetts, 16; Rhode Island, 2; Connecticut, 13; New York, 27; New Jersey, 15.

Baltimore Federal Land Bank (total, 123): Delaware, 1; Maryland, 8; Pennsylvania, 22; Virginia, 73; West Virginia, 19.

Columbia Federal Land Bank (total, 286): Florida, 60; Georgia, 39; North Carolina, 101; South Carolina, 86.

Louisville Federal Land Bank (total, 253): Indiana, 70; Kentucky, 64; Ohio, 16; Tennessee, 103.

FEDERAL FARM LOAN BONDS

(Continued from page 1.)

lumber and building trade papers, daily and weekly newspapers, financial, farm, poultry, horticultural, live stock and dairy, agricultural college, county agent, foreign language, grain elevator, advertising and publishing papers—all helped to make the campaign a success.

"Several national advertisers used our advertisements as change of copy in their regular schedules. Quite a number of banks in various parts of the country indorsed the campaign by sponsoring one or more of the advertisements. And several public-spirited citizens did the same thing, all paying for the space. In no instance did we try to 'work' a publisher, advertiser, or citizen for free space. The entire campaign was patriotically contributed.

"At a nominal cost to the Federal Farm Loan Board for the necessary plates sent to the publishers, a total circulation of over 10,000,000 copies of the various publications was secured. The value of this advertising space is approximately \$30,000. This does not include editorials, which, if buyable, would exceed \$50,000.

"The net result of this undertaking is that farmers now know that their Government is ready to help them. And those persons who have money to invest in sums from \$25 up know where they can get good interest on their money and, at the same time, have it secured by agricultural America.

"Once more the publishers have done themselves proud. Certain advertisers and private citizens complimented themselves by being identified with this movement. The Farm Loan Board has sold all the bonds available at this time—\$60,000,000—enough to meet the farmers' needs until November next. Orders continue to come for these bonds, but none are available except those in the hands of investors, and then at a premium.

"I am deeply grateful to every member of the Federal Farm Loan Board for their confidence in allowing me to do that 'something' toward the winning of the war, and at the same time help establish a permanent institution for the relief of a bad situation in our economic system.

"H. H. CHARLES.

"NEW YORK, N. Y."

New Orleans Federal Land Bank (total, 280): Alabama, 99; Louisiana, 49; Mississippi, 132.

St. Louis Federal Land Bank (total, 285): Arkansas, 120; Illinois, 64; Missouri, 101.

St. Paul Federal Land Bank (total, 354): Michigan, 80; Minnesota, 99; North Dakota, 131; Wisconsin, 44.

Omaha Federal Land Bank (total, 251): Iowa, 69; Nebraska, 100; South Dakota, 69; Wyoming, 13.

Wichita Federal Land Bank (total, 398): Colorado, 117; Kansas, 97; Oklahoma, 103; New Mexico, 81.

Houston Federal Land Bank (total, 260): Texas, 260.

Berkeley Federal Land Bank (total, 145): California, 106; Nevada, 3; Utah, 30; Arizona, 6.

Spokane Federal Land Bank (total, 379): Idaho, 57; Montana, 107; Oregon, 81; Washington, 134.

A GOOD THING IS WORTH ADVERTISING

People can not know what a desirable community to live in yours is unless you tell them.

Here is the way one secretary-treasurer is hustling for Federal farm loan business:

On a high grade of paper, in attractive type and poster style, he sets forth the advantages of being a member of a national farm loan association. In the upper middle of the poster is a half-tone photograph of a farmer with a fine team

of horses cutting a fine stand of corn in Chautauqua County, N. Y. These posters are displayed in prominent places all over the territory covered by his association. They are bound to bring in business, and consequently promote the prosperity and contentment of that vicinity. This is the advertisement:

FEDERAL FARM LOAN BUREAU, U. S. TREASURY DEPARTMENT.

CHAUTAUQUA COUNTY, N. Y., FARMERS MAY BORROW MONEY THROUGH ASHVILLE NATIONAL FARM LOAN ASSOCIATION.

On their land and buildings, for a term of 35 years, interest 5 1-2 per cent, payable under amortization plan, or \$65 per \$1,000 borrowed per year. No more than this sum need be paid at any time during period of loan; as much more as desired may be paid after fifth year of mortgage.

BASIS OF CREDIT: 50 per cent of reasonable land value and 20 per cent of building value.

PURPOSE OF LOAN: Farmer may use money for purchase of farm land; to pay off existing mortgage; purchase farm equipment, namely, fertilizers, live stock, machinery, etc.; to erect or improve farm buildings; to pay existing debts.

AMOUNT TO ONE INDIVIDUAL: From \$100 to \$10,000, according to need and credit shown.

The Federal farm loan system aims to provide all farmers with adequate finances with which to operate their farms. It provides the long term, low interest which farmers have urgently required for years. It is a farmers' banking system, operated by and for farmers.

Those who desire to replace existing mortgages of higher interest and principal rate, or who desire to purchase farm lands, or improve their buildings, or purchase farm equipment or live stock, should immediately file their application for loan.

Bring deed of farm upon which loan is desired; know amount of insurance carried on buildings; if mortgage exists, know date of its making, rate of interest, who holds same, and date of last payment. Where joint deed exists, both parties must appear and sign application.

EARLE W. GAGE, Secretary-Treasurer,
Ashville Farm Loan Association,
Member Federal Land Bank of Springfield,
Ashville, N. Y.

THAT CAPITAL STOCK OF YOUR ASSOCIATION

Is it as large as the law requires? — The following resolution when adopted will comply with the law and help make your association first class.

All national farm loan associations were organized with an authorized capital stock of \$10,000. Since every borrower invests 5 per cent of the amount of his loan in the stock of his association, this original capital stock is sufficient to accommodate borrowers to the amount of \$200,000—5 per cent of \$200,000 is \$10,000. Whenever the aggregate of loans in an association exceeds \$200,000, a resolution must be passed increasing its capital stock, which automatically amends the articles of association.

In active and growing associations this matter should be watched, and when the outstanding stock equals or exceeds \$9,600, a resolution should be passed providing for an increase in the authorized capital stock. This resolution, which should be adopted by the association, should be in the following form:

RESOLUTION PROVIDING FOR INCREASE IN CAPITAL STOCK OF THE NATIONAL FARM LOAN ASSOCIATION OF

WHEREAS The Federal farm loan act provides "Every national farm loan association formed under this act shall, by its articles of association, provide for an increase of its capital stock from time to time for the purpose of securing additional loans for its members, and providing for the issue of shares to borrowers in accordance with the provisions of this act;" and the articles of association of this organization provide "At any time after 90 per cent of the authorized capital stock of this association shall have been subscribed, the board of directors, by a two-thirds vote which shall be entered on its minutes, may increase the capital stock to such an amount as may seem necessary to meet the demands of increasing membership or increasing loans to members"; and

WHEREAS 90 per cent of the present authorized capital stock of this association has been subscribed. Therefore be it

Resolved, That the capital stock of this association be, and hereby is, increased to \$20,000, divided into 4,000 shares of \$5 each.

I, _____, secretary-treasurer of the _____ National Farm Loan Association of _____, hereby certify that the above is a true and correct copy of the resolution passed by a two-thirds vote of the directors of said association on the _____ day of _____, 191____, and that such resolution has been entered in full upon the minute book of said association.

Witness my hand and seal of said association this _____ day of _____, 191____.

Secretary-Treasurer.

Buy a Federal Farm Loan Bond.

REGULARITY IN MAKING APPLICATIONS

A hint to association officers and members which will save expense and delay.

One of the principal causes of delay and expense in the consideration, approval, and closing of loans is the lack of system which some associations pursue in the handling of applications.

Applications for loans are received from borrowers at any time, the loan committees act at any time, the boards of directors act at any time, the applications are sent into the bank at any time, and the bank is obliged to send out a Federal appraiser at any time. The result is confusion and unnecessary expense from start to finish, also a delay which is directly caused by such unsystematic procedure. A definite policy should be adopted by all associations, and one Federal land bank makes the following suggestions:

"(1) Applicants should be informed that their applications must be in the hands of the secretary-treasurer not later than the last day of the month if they want their farms examined by the loan committee the following month.

"(2) The loan committee should decide upon some period within which to visit the farms of the applicants, preferably from the 1st to the 15th of the month. Any applications reaching the secretary-treasurer after the committee has completed its regular monthly inspection are not to be examined until the following month.

"(3) The directors should meet on the second Tuesday of each month for the purpose of acting upon all applications that have come in and been examined by the loan committee before that date.

"(4) Immediately after the meeting of the directors and their approval of the applications, these should be sent to the land bank. A Federal appraiser will then be assigned to visit these farms as soon thereafter as possible. A Federal appraiser will not be sent to any association oftener than once a month.

"While this may at first cause some hardship, after such a system gets thoroughly established and applicants clearly understand it, it will not only expedite the work, but save a great deal of unnecessary expense, both to the association and land bank in the handling of applications and in their appraisal."

From information received and inquiries made, it seems that joint-stock land banks are thought to be branches of Federal land banks, especially in vicinities where they operate. This is not the fact. While both were created by the farm loan act and are under the supervision of the Farm Loan Board, they have no interchange of business relations and are distinct institutions. The Federal land banks are cooperative; the joint-stock land banks are private and independent. The stock of the cooperative banks will gradually become owned by the borrowers themselves while the stock of the joint-stock banks will always remain in the hands of private investors.

LOOK AHEAD FOR FARM LOAN BUSINESS.

Expense of procuring Federal farm loans should be as low as possible. Good management on part of officers and cooperation will do it.

Now that the loans are coming in by ones and twos the cost of appraisement is running up. It costs as much for a Federal appraiser to travel to an association to appraise one farm as to view 20 farms. It costs as much trouble to call out the loan committee to see one farm as several. If the loans can not be bunched so as to enable loan committees and appraisers to have more loans to appraise at once some of the land banks will be forced to raise the amounts charged for appraisement and determination of title.

This should be avoided if possible.

It can be avoided in many cases if officers of associations will use foresight. Look ahead and give the banks loans in bunches.

Most borrowers know for months ahead when they will want money. They should notify the secretary-treasurer, and join the association as long beforehand as possible.

Every borrower should consider himself a committee of one to bring borrowers in before they must have their loans.

LONE STAR STATE AGAIN HEARD FROM

Farmers there are fighting for democracy by buying Liberty bonds as well as raising food for soldiers.

During the recent third Liberty loan campaign, one of the officers of the Federal land bank of Houston wrote a letter to its 260 national farm loan associations, asking them to buy Liberty bonds and offering to assist the farmers in buying these bonds. So interested are these farmers in the war, and so determined are they that autocracy must be defeated, that in one week they bought bonds to the amount of \$400,000. The sum became so large that the Federal land bank was obliged to send out telegrams withdrawing the permission to buy bonds through the bank.

These farmers are not rich, but are farmers who have associated themselves together in cooperative farm-loan associations for the purpose of borrowing money on their farms. They seem to feel, however, that the United States Government, which has established this great system for their benefit, is so dear to them, and their sense of patriotism is so great, that out of their small resources they purchased in this brief time this very large number of Government bonds. This activity was entirely aside from the ordinary bond-selling activities in which the farmers have interested themselves. Government bonds are sold to farmers all over the United States in huge amounts by committees of farmers who sell the bonds to their neighbors, and almost every farming community oversubscribed its share of bonds, Red Cross funds, Young Men's Christian Association funds, and other war funds.

Every officer of every association should do the same thing.

Records of the county should be examined to find when mortgages fall due so as to see whether or not the borrower does not want to come into the association beforehand.

Take time by the forelock. A man may join months ahead of the time when he wants his money if he will obligate himself to take the loan.

Several loans may be offered by the association at the same time, and thus the appraisement costs be cut down. The loan committee may do business by wholesale instead of retail.

Other advantages will accrue to borrowers, to the association, and to the bank. There will be plenty of time to have the title examined. Such delays as are inevitable will not be a source of so much trouble and annoyance. The work will run more smoothly.

It is a good farm maxim which says "Drive your work, let it not drive you." It is true of the work of borrowing under the Federal farm loan act.

Through this great system of Federal land banks the farmers of the United States are now enabled to borrow money on 35 years' time at a lower rate of interest than the rate which must be paid by the great steel companies and other strong industrial concerns. It is no wonder, therefore, that the farmers of the United States, especially the small farmers, are willing to send their sons to Europe to fight the power of Germany and to work almost night and day to grow crops for the sustenance of their armies and the armies of our allies as well as the civilian populations of our allied nations. The Federal farm-loan system has loaned to these small farmers within the past year over \$100,000,000. This has been an especial boon to the small farmer who has been paying excessive interest to money lenders. It is a system which is delivering the farmers from the grip of the unscrupulous money lender and is furnishing a very large supply of cheap money for the production of crops not only during the war but for all future time.

The Farm Loan Bureau in Washington won an honor flag in the third Liberty loan contest. The amount assigned this bureau was \$10,875; the subscription was \$36,500. The bureau overscribed therefore 235 per cent. Nearly every employee was a subscriber in this campaign.

DELAY IN DELIVERY.

Owing to the fact that all Government printing pertaining to the prosecution of the war is given precedence at the Government Printing Office, the issuance of the BORROWERS' BULLETIN must necessarily be irregular.

APPLICANTS FOR LOANS LAUD APPRAISER

Being the connecting link between borrowers and land banks he can be of much help in every rural community.

The Farm Loan Board has made every possible effort to supply the Federal farm loan system with the best and most skillful appraisers that our 48 States can furnish. When, therefore, a bank of the system receives a letter of commendation concerning the work of an appraiser, it is both gratifying and reassuring. And a bouquet is always appreciated by all concerned. This particular letter was sent to the St. Paul bank, and is as follows:

"Your appraiser, Mr. John E. Kienitz, has been in Morrison County this week making examinations of farms offered as security for loans by 17 applicants of this association.

"I accompanied Mr. Kienitz one day, and the chairman of our loan committee had been with him part of the time. Mr. Kienitz is a very thorough, painstaking, conscientious, and competent appraiser. While I do not know the contents of his report to the bank on these applications, I wish to say that the farmers seem to be satisfied that they have been treated fairly. Mr. Kienitz understands the value of farm lands in this part of the country and he has taken the trouble to explain to each applicant the basis upon which he arrives at his values. When he gets through he leaves the applicant satisfied, whether he gets a loan or not, and a friend of the Government.

"He also explained many things to the secretary and the loan committee which will aid us materially in doing our work. As long as the bank sends out appraisers of Mr. Kienitz's qualifications, ability, and character it will continue to do business, and both the interests of the bank and the rights of the farmers will be protected.

"N. N. BERGHEIM,
"Secretary-Treasurer No. 1063."

The farmers of the United States are now borrowing money through the Federal farm loan system as cheaply as can be borrowed by even the largest corporation. The street-car companies of Minneapolis and St. Paul could probably borrow money at no lower rate than is enjoyed by the farmers in that vicinity.

If sometimes the appraisements seem low, it should be borne in mind that the money is loaned on very favorable terms and for a very long time. The fact that the Farm Loan Board sold in less than one month over \$50,000,000 of farm loan bonds for the benefit of the farmers—5 per cent bonds at 101—indicates that the investing public has confidence in its work. This is almost exclusively owing to the painstaking care of competent appraisers.

Buy a Federal Farm Loan Bond.

Stamps.

The Borrowers' Bulletin

ISSUED BY THE FEDERAL FARM LOAN BUREAU, U. S. TREASURY DEPARTMENT

VOL. 1

WASHINGTON, D. C., AUGUST-SEPTEMBER, 1918

No. 7

PROBLEMS OF FEDERAL FARM LOAN COMMITTEES

Some factors to be considered in appraising — Recent land sales — Earning power of farms and amount experienced investors are loaning.

The following contribution to the BORROWERS' BULLETIN is from Mr. Samuel N. Reep, chairman of the department of land valuation of the Federal land bank of St. Paul, who for a number of years was a professional land appraiser, and has also been a university teacher of economics.

"Are the loan committees a success or are they a failure? Is it possible by education to raise the standard of efficiency so that there will be no question concerning their success or their help in making safe loans? I believe strongly in the possibilities of making loan committees valuable by education. They have been a success in other countries. We who are giving our attention to the difficult problems of land valuation should outline methods and plans of procedure. If national farm loan associations can not develop loan committees who are able to make an intelligent appraisal after adequate instructions have been given, there will be no further excuse for continuing their expense.

"Loan committees naturally want standards by which they can determine for themselves and prove to others that they are a success, and that they contribute largely toward making good loans. What, then, is the standard by which a loan committee may measure itself to determine if it is good or poor? Briefly stated, the standard consists of conclusions of farm values derived from a balanced consideration of all the factors which determine farm values.

"Poor committees use the easy method of arbitrary opinion without going to the trouble of getting the necessary facts on which to base an intelligent farm valuation. Good committees are always wide awake for the fundamental facts which make farms have value for agricultural purposes. A loan committee can never substantiate a valuation by arbitrary opinion. If it wants to be sure of its valuation itself and be able to prove it to others, it must have the facts.

"The following outline of plan and method of procedure may assist loan committees to do the efficient appraisal work that they can substantiate in the face of severe cross-examination. I will outline the chief factors and methods, leaving the loan committees to add all the others which influence land values in their territory.

"There are three factors which should be studied thoroughly by every loan com-

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mittee for its territory: (1) Land sales; (2) earning power of farms; and (3) the amount experienced investors are loaning.

Land sales.

"Draw a map of every township in your association and locate thereon, with the price paid, the farms that have been sold during the last three years. You may be able to determine approximately from your general knowledge what farms were above or below the average in soil, surface conditions, cultivation, location, and improvements. You can then figure out the approximate average per acre for the different kinds of soil, surface conditions, cultivation, location, and improvements. After you have analyzed a number of farms in this manner, your averages will have value and will be evidence which you can submit with honor at any time. The list of sales that have the prices given may be taken direct from the county records. The register of deeds or one of his assistants could make up such a list. Tell him to give you the following information: (1) Date sold; (2) legal description; (3) consideration. Sometimes you can get further information from the county assessment records, such as amount cultivated, timber, swamp, value of buildings, etc. These sales should be verified by local men as much as possible, and especially any that seem inconsistent. All sales between relatives, as well as forced and trade sales, should be excluded. In many States this work is done by experts, and you may get all this information free of charge by writing to your State tax commission, or for the cost of copying the sales covering your territory. You can keep a sales file, like a letter file, with a pocket for each township, and whenever you get any information concerning sales it should be filed.

Earning power of farms.

"The fundamental factor in all real-estate investment is its earning power. Whether a building in the city or a farm in the country, the primary question is what it will produce. This fundamental investment principle was enacted into the Federal farm loan act. The law says, 'The earning power of said land shall be a principal factor.' (Sec. 12, Fifth.)

"Land, buildings, man and his equipment are considered in finding the earning power of a farm. Since these differ

(Continued on page 7.)

COOPERATIVE LOANS IN THE UNITED STATES

Is a new method of financing farmers — Europeans employ it for all kinds of rural and commercial industries.

There are now more than 3,300 national farm loan associations in the United States, and some of these associations have hundreds of members. The sums borrowed on land mortgage through the Federal farm loan system is rising toward \$150,000,000, is increasing by millions every month, and the system itself so far as its active life is concerned is only about a year and a half old. This is apparently the greatest triumph for cooperation among farmers ever scored in all the history of cooperation, if the figures alone and the time consumed be considered.

Whether it is a real triumph for cooperation depends on the spirit with which the system is carried on. The man who gets a Federal farm loan and then forgets all about the system is not a cooperative borrower, but merely a man who has taken a purely selfish advantage of a cooperative system. He simply lets others cooperate for him. He steals a ride on a moving train and pays no fare. Unless the Federal farm loan system, as a great financial reform, enlists the moral support of the farmers, it will fail as a cooperative lesson and will give a black eye to the whole movement for cooperation all over the world.

Farmers complain that they are victimized by great combinations of capital and fail to remember that where strong cooperative organizations are thrown into conflict with such combinations the cooperators always seem to win. The great cooperative movement of Scotland, consisting of cooperative stores, both retail and wholesale, were boycotted by the powerful Soap Trust of Great Britain. The Scottish Wholesale (Cooperative) promptly threw out the trust soap, established their own factory, and won. Twenty of the great soap factories of Great Britain united with a capital of \$60,000,000. There was a great turmoil, but the Cooperative Wholesale of Great Britain increased its manufacture of soap from 265 tons weekly to 60 tons weekly, and the trust dissolved. The Scottish Cooperative Wholesale, by sending their own buyers to America, won a victory over the meat dealers who refused to sell to cooperators. The firm of Bell & Son, by its packing houses and chain stores, controlled the meat eaten by the people of Switzerland until the Swiss cooperators declared war on the meat trust, and when the trust asked for terms forced the monopolists to sell (Continued on page 5.)

WISE WORDS FROM A WESTERN BORROWER

Some facts and suggestions for others in the system from a borrower in Montana.

Having been admitted to a national farm loan association and received my loan, the welfare of my association becomes important to me. The farmers who have received loans from the Federal land banks and who are meeting their annual or semiannual payments on their loans should be on their guard and take an active interest in the management of their respective national farm loan associations, and especially in the work of the loan committee. A borrower may think that he has done all that is required of him when he makes his payments on his loan, but such is not the case. The system inaugurated by the Federal farm loan act is intended to be cooperative; and the cooperation consists mainly in that each borrower of a Federal farm loan, in addition to the full liability for his own loan, has assumed an indirect limited liability for every farm loan made by the Federal land banks.

The borrower's liabilities.

The liabilities for the payment of the notes and bonds issued under the provisions of the Federal farm loan act may be stated as follows:

First. The individual borrower is liable for his loan.

Second. The national farm loan association is liable on its indorsement of the note of the borrower.

Third. The Federal land bank is liable on the bonds issued by it which are based upon such notes and mortgages.

Fourth. Every Federal land bank is liable for its pro rata share of such bonds issued by any bank in the system on which payment has been defaulted by the issuing bank.

In case of insolvency of a national farm loan association all of the stock such association owns in the Federal land bank is canceled and the stockholders in such association would lose the amount paid for such stock and be liable for another amount equal to the par value of their stock in such association. In such case the total liability of a borrower is equal to 10 per cent of the amount of his loan. In case of insolvency of the Federal land bank through which the borrower has made his loan, the stock owned by his association in such bank would be worthless, and therefore every member of every association who procured his loan from such bank would lose an amount equal to 5 per cent of his loan. (As to liability of stockholders, see par. 5, sec. 9; as to liability of farm loan associations, see sec. 25; as to liability of Federal land banks, see sec. 21; and as to insolvency of land bank or association, see sec. 29 of the Federal farm loan act.)

Duties of borrowers.

Every borrower should therefore be a watchdog of his association and prevent

the making of loans for a higher amount than the act permits. The only way the safeguards of the act can be defeated is by dishonestly high appraisements. The loan committee should be fair, but in no case appraise the land and improvements offered higher than their fair market value. The loss to the association of one bad loan may destroy all prospect of the members ever receiving a dividend on the stock of the association, and numerous bad loans would cause it to become insolvent. If the stockholders in the association are ever to receive any dividends on their stock, then the expenses of the association must be kept to a minimum and all possible losses avoided. So far the biggest loss to the associations has been the expense of the loan committee in appraising lands for loans which were rejected either by the committee or the land bank appraiser, or the amount of the loan finally allowed being refused by the applicant. Every association should therefore adopt the rule that every application for a loan must be accompanied with a fee at least equal to the average cost of expenses for the loan committee on each loan closed for the time that the association has been doing business.

Admission precedes appraisement.

The board of directors of an association should act on the application for a loan before the application is referred to the loan committee and decide whether or not the applicant is desirable as a member of the association. If the board decides that the applicant is undesirable, then no appraisement of his land is necessary. Yet in many cases this question is not decided by the board until after the appraisement has been made and the expenses incurred, and the applications were then rejected because the applicants were undesirable as members; and as no fees for expenses of the loan committee had been paid in advance by such applicants, the association was out the cost of such appraisements, which, in some instances, made an assessment necessary on the members of the association so that such expenses could be paid. New members coming into an association after such expenses have been incurred object to contributing to the payment of such useless expenses.

The overhead expenses of all associations are very likely to be about the same; therefore the more members an association has the less will be the overhead expense per member. The officers and members of the association should, therefore, get as many desirable new members as possible, and to get such members the officers of the association must be efficient and not dilatory.

Count on future dividends.

Every borrower desires to receive a dividend on his stock in the association, and dividends on such stock can only be paid out of the money paid to the association as dividends on its stock in the land bank, and if the expenses of the association are equal to the amount of money received as dividends on the land bank stock by the association, then it is certain that the members of the association will receive no dividends on their

stock. Every officer and member of an association should, therefore, work to the end that the association be conservatively and economically managed; that all unnecessary expenses be avoided; and that all expenses in connection with appraisements be paid in advance by the applicants for loans; and when the Federal land bank of a district commences to pay dividends on its stock, then every association in such district which has been conservatively and economically managed will be able to pay dividends to its stockholders. Otherwise the money received as dividends from the land bank will be eaten up either by losses on loans or expenses.

LAWRENCE BECKER,
Wilsall (Mont.) N. F. L. A.

THE COOPERATORS' OPPORTUNITY

The secretary of the Eighth District Bank asks some questions which should bring forth replies from every section of the country.

"When the Federal farm loan system was established the writer had a beautiful dream of the immediate response that would come from farmers' cooperative organizations, which would immediately utilize this new system of agricultural credit for the benefit of their members. Here were thousands of prosperous farmers' elevator associations, granges, societies of equity, farmers' unions, cooperative creamery associations, fruit growers' associations, etc., all with fully organized business machinery. Most of their members have mortgages on their farms. Here was an ideal opportunity for rapid and constructive development of national farm loan associations.

"Alas for the dream! It didn't come true. We tried it in the Eighth District to the best of our ability. Up to this writing we have not a single association which owes its organization to the activity of cooperating farmers acting as a group.

"What's the reason? Why can not cooperators see this thing which is so manifestly to their business advantage? Why will they wait for the banker, the real estate agent, or the abstracter to do the thing which they could do so easily and so efficiently?

"If anybody can give the answer, it will open the way for a businesslike organization of national farm loan associations that will eclipse even the splendid record which has been made by the various Federal land banks."

"One of the things that strikes me with regard to all cooperative associations is that the characteristic feature of an active life is cooperation." —Woodrow Wilson.

Buy a Liberty Loan Bond.

MONEY TO PAY FOR SEED GRAIN

What the Government is doing to help farmers in areas affected by drought.

The year 1917 was bad for farmers in some parts of the country. Hot, dry weather swooped down on growing grain crops, and they withered away. The farmer reaped nothing, the drought reaped everything.

Some farmers have lost all their crops by drought or winter killing for two seasons in succession. They are in sore distress financially. Shall they try to raise a crop of grain a third year? That was the question which bothered farmers in drought-stricken areas until the Department of Agriculture came to their rescue by setting aside a fund of \$5,000,000, to be used in making loans for the purchase of seed grain for fall planting in 1918 and spring planting in 1919.

The States particularly affected are North Dakota, Montana, Kansas, Oklahoma, and Texas, which are included within four Federal land bank districts.

The Department of Agriculture has power to determine any other areas within which seed-grain loans can be made to farmers.

Authority for making loans is granted to the Federal land banks of St. Paul, Spokane, Wichita, and Houston. The Federal land banks have authority to designate local banks or other agencies to arrange details of loans to farmers, but for which no charge can be made. The entire proceedings of making and collecting loans are under the supervision of the Farm Loan Board.

Who can borrow.

No loan can be made for more than \$300 or for more than \$3 an acre. Under this regulation seed grain can not be had for more than 100 acres. Loans are only made to farmers in drought-stricken areas who have had two successive grain-crop failures, have enough acreage fit for planting, and have no money or credit. No loan will be made to a farmer who has unencumbered real or personal property as security for his loan.

If a farmer has suffered from drought for one year only, he is not eligible for a loan. Again, if a community has not been drought stricken, but an individual farmer has lost his crops by rust or drought, he would not be able to procure a loan to purchase grain seed. Borrowers must use seed and practice the methods approved by the Department of Agriculture, Washington, D. C., where applications for loans should be sent. These applications will be investigated by agents of the department and approval or disapproval reported to the proper Federal land bank, which will also pass upon them.

If a loan is approved, the amount is paid to the borrower by the bank on the following conditions:

(1) That he present to the bank a certificate of planting from the Department of Agriculture; (2) make a promissory note at 6 per cent interest payable in October or November, 1919; (3) an agreement that the borrower will con-

tribute to a guaranty fund if his crop exceeds an average yield of 7 bushels an acre; and (4) a chattel mortgage on the crops planted on the land described in the certificate of planting.

Farmers in drought-stricken areas, now is your chance to get seed grain for spring planting. The Government has come to your aid. If you wish to plant wheat, rye, barley, or oats, write a letter to the United States Department of Agriculture, stating your acreage and your seed needs. When your fields have been planted a Federal land bank in your district will lend you the money to pay for the seed.

BORROWERS MUST TELL THE TRUTH

The farm loan act puts a heavy penalty on misrepresentation.

There are men scattered all over the United States who fail to receive loans and who are wondering why. In some cases the explanation is found in the fact that the appraisers of the banks have been convinced that these borrowers have not told the truth with reference to the value of the land offered as security.

Borrowers must tell the truth. The following language is copied from section 31:

That any applicant for a loan under this Act who shall knowingly make any false statement in his application for such loan, and any member of a loan committee or any appraiser provided for in this Act who shall willfully overvalue any land offered as security for loans under this Act, shall be punished by a fine of not exceeding \$5,000, or by imprisonment not exceeding one year, or both.

When the land bank feels that a borrower has willfully misrepresented the value of his land, it is justified in rejecting that application, no matter what the real value of the land may be. The Federal farm loan system has no room among its borrowers for falsifiers. The man who deliberately misrepresents the value of his land and gives it a value which he knows is too high, not only ought not to have any loan granted him, but he should be arrested, and under a proper sentence in a proper court he ought to be fined or put in prison, or both.

In addition to this, if he swears to what he knows is a falsehood he is guilty of perjury, and may be punished therefore. Instead, therefore, of complaining that he has not received a loan, in such a case he ought to be glad to find himself outside the clutches of a United States deputy marshal.

These facts should be carefully considered by secretary-treasurers, by officers of national farm loan associations, by appraisers, by borrowers, and by farmers generally. The Federal farm loan system is based upon a policy of candor, honesty, fair dealing, and the making of loans upon honest valuations.

No man is guilty of a crime who differs honestly with an appraiser as to the value of his land. But whatever statements he makes as to such values should be made honestly and within reason. There are certain wild and visionary views as to the value of land which, if expressed by a borrower, might make it very difficult for a court to distinguish them from actual and willful falsehoods.

CREEK COUNTY ASSOCIATION KEEPS ITSELF USEFUL

Believes in being active in matters that concern farmers, and that associations are the proper machinery — Gives warning against enemies of the system.

It is not necessary that a national farm loan association be and remain an organization for borrowing money only. It should grow, and in order that it may grow it should be active in all matters of general interest to farmers.

Mr. G. C. Hughes, secretary-treasurer of the Creek County, Okla., national farm loan association, found one day that a great problem in land titles faced the farmers of his locality. Here is a circular letter sent out by him, showing how this association took the lead to save money, clear up titles, and balk the plans of those who would otherwise have made much money out of the situation. While the meeting called by the circular was held a number of weeks ago, its purpose and message may interest other associations with special problems:

"To all members of the Creek County National Farm Loan Association, and all others interested:

"A meeting of the Creek County N. F. L. A. will be held in the courthouse in Sapulpa on Saturday at 2 o'clock p. m. Through the efforts of the Creek County N. F. L. A., in cooperation with Mr. W. P. Z. German, attorney for the Federal land bank at Wichita, Kans., together with the able support of every Congressman from Oklahoma, a bill has passed Congress, the purpose of which is to determine forever the titles to deceased Indian lands in Oklahoma. This is the first opportunity the people of eastern Oklahoma have ever had to determine titles to deceased Indian lands. The purpose of this meeting is to get you to join with us to collectively take such action as contemplated in this law to settle these titles for farmers in Creek and adjoining counties. By joining in one action the costs may be reduced to a minimum. If you have dead Indian land, now is the time to join with us; if not, speak to your neighbor about this; he may be benefited.

"You are warned to look out for unpatriotic propaganda being circulated by selfish and unscrupulous land mortgage companies to discredit the Federal farm loan act. These people told you in the beginning that you would never get your money. You were sneeringly warned against having anything to do with the law that has now proven to be a great boon to the farming industry of the United States. Many other unscrupulous things were said against this law, but in the face of this, every member of our association who had good title to his land has received his money at the lowest rate of interest ever loaned farmers before in this State. These unpatriotic propagandists, as a last resort, are circulating literature to the effect that the Federal Farm Loan Bank is loaning money without proper security and

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FARM LOAN DIRECTORY

A column of boiled-down information about the Farm Loan Bureau, its organization and personnel.

Location: Treasury Department, Washington, D. C.

Members of board: WILLIAM G. McADOO, Secretary of the Treasury and chairman ex officio; GEORGE W. NORRIS, farm loan commissioner; HERBERT QUICK, W. S. A. SMITH, and CHARLES E. LOBDELL.

Secretary: W. W. Flanagan.

THE FEDERAL LAND BANKS.

District No. 1.—Springfield, Mass., serving the States of Maine, Massachusetts, Vermont, New Hampshire, Rhode Island, Connecticut, New Jersey, and New York.

District No. 2.—Baltimore, Md., serving the State of Pennsylvania, West Virginia, Maryland, Delaware, Virginia, and District of Columbia.

District No. 3.—Columbia, S. C., serving the State of North Carolina, South Carolina, Georgia and Florida.

District No. 4.—Louisville, Ky., serving the States of Indiana, Ohio, Kentucky, and Tennessee.

District No. 5.—New Orleans, La., serving the States of Louisiana, Mississippi, and Alabama.

District No. 6.—St. Louis, Mo., serving the States of Illinois, Missouri, and Arkansas.

District No. 7.—St. Paul, Minn., serving the State of North Dakota, Minnesota, Wisconsin, and Michigan.

District No. 8.—Omaha, Nebr., serving the States of Wyoming, Nebraska, South Dakota, and Iowa.

District No. 9.—Wichita, Kans., serving the States of New Mexico, Kansas, Colorado, and Oklahoma.

District No. 10.—Houston, Tex., serving the State of Texas.

District No. 11.—Berkeley, Cal., serving the States of California, Nevada, Utah, and Arizona.

District No. 12.—Spokane, Wash., serving the States of Idaho, Washington, Montana, and Oregon.

These banks are engaged in lending money to farmers on first mortgages on farm lands at a rate of 5½ per cent. The mortgages are repayable on the amortization or installment plan through periods ranging from 5 to 40 years. Loans may be made up to 50 per cent of the appraised value of the land plus 20 per cent of the value of the permanent insured improvements for approved agricultural purposes.

A farmer desiring to become a borrower should address a letter of inquiry to the Federal land bank of his district asking for the name of the farm loan association nearest him, or for papers to enable him to organize an association if none has been organized in his community.

Secretary-treasurers and others addressing the Farm Loan Board or Bureau should always sign their communications. A secretary-treasurer should also add the name of the association he represents as well as the name of his town. There are several such officers in the system who, no doubt, are wondering why they have not received replies to their letters to the Farm Loan Bureau, and this is the explanation.

A wide-awake secretary-treasurer in the Eighth District advertises his national farm loan association on the back of his business envelopes. He invites his correspondents to join his local association and "enjoy the same credit advantages and low interest rates that have long been afforded to railroads, industrial corporations, and other lines of business."

\$7,685,245 PAID OUT TO FARMERS ON MORTGAGE LOANS IN AUGUST BY FEDERAL LAND BANKS

During the month of August \$7,685,245 were loaned to farmers of the United States by the Federal land banks on long-time first mortgages, according to the monthly statement of the Farm Loan Board. The Federal land bank of Spokane leads in amount of loans closed, \$1,155,410, with the Federal land bank of St. Paul running second, \$919,200. The other 10 banks closed loans in August as follows: Wichita, \$702,100; New Orleans, \$699,465; Houston, \$683,765; Columbia, \$607,215; Omaha, \$595,300; Louisville, \$592,800; Springfield, \$448,250; St. Louis, \$432,840; Berkeley, \$426,400; and Baltimore, \$423,500.

On September 1 the total amount of mortgage loans placed since the establishment of the Federal land banks was \$124,877,354, covering 55,325 loans closed.

During August 2,500 applications were received, asking for \$8,175,040. During the same period 2,297 loans were approved amounting to \$7,686,245. Altogether, 99,070 have applied for loans under this system, aggregating \$258,493,125.

The grand total of loans closed is distributed by Federal land bank districts as follows:

Spokane	\$19,359,695
St. Paul	17,804,100
Omaha	14,517,340
Wichita	13,595,000
Houston	11,253,999
New Orleans	9,050,305
St. Louis	8,243,130
Louisville	7,962,000
Berkeley	7,609,100
Columbia	5,925,790
Springfield	4,839,695
Baltimore	4,717,200

CONCERNING PAYMENT OF OFFICERS' "FEES"

The simple and legal way of handling this matter is here set forth.

In some farm loan associations secretary-treasurers and other officers are authorized, by vote of the association or otherwise, to collect from borrowers fees for the purpose of carrying on its affairs. These so-called fees in some cases go to members of the loan committee, in some cases to secretary-treasurers, and in some cases to all of them. The principles involved are correct. Where it is necessary to pay officers of the association they should be paid, although their remuneration should always be kept down to the lowest possible point consistent with good service.

But this does not mean that they may receive "fees" directly from borrowers. The law emphatically prohibits this.

How, then, should the matter be handled so that the officers shall receive their remuneration and the proper provision of the law be observed inviolate? This is a very easy question to answer.

Payment to the members of the loan committee should be made by the farmer, preferably in advance, and the money paid into the treasury of the association. When the members of the loan committee are paid, the money should be paid them by the association through the office of the secretary-treasurer and not direct from the borrower.

If the secretary-treasurer receives payment for work in connection with the loan, the money should be paid by him into the general fund of the association, and then payment should be made to him out of the funds of the association. There will then be a record of the matter clear and unmistakable. The association will give its receipt to the borrower for the money, and the officer receiving the money will give his receipt to the association for it. The money will all pass through the treasury of the association and receipts and vouchers will exist showing the whole transaction.

These provisions of the law are inserted in it for the purpose of prevent-

ing private profits, commissions, fees, and extortion. They are proper provisions and, for the benefit of the borrower and the system, they should be carefully observed.

THE LEVYING OF ASSESSMENTS

In the April-May issue of the BORROWERS' BULLETIN is the following language:

National farm loan associations are bodies corporate and have certain expenses. These expenses must be met out of the revenues of the corporation, and, if it has at present no revenues, assessments must be levied to meet them. Such assessments can not be levied by the officers of the association until authorized to make them by vote of the members.

This statement is erroneous. Assessments may be levied by a vote of the board of directors. No authorization by the members of the association is necessary.

While the board of directors have the authority to levy assessments, the authority should not be exercised in the absence of a strict necessity for it, nor unless they feel certain the justice of the assessment will be generally recognized by the members of the association. To levy an assessment, the payment of which will be resisted by the members, would undoubtedly cause friction and be unfavorable to that spirit of harmony which ought to exist in every farm loan association. All assessments are levied in proportion to the stock held by the members.

There is a further matter with relation to the levying of assessments which ought to be carefully considered. All such assessments must be repaid to the members "as soon as funds are available." The provision of the law therefore merely authorizes the association to borrow from its members through an assessment and requires that all these sums be repaid when the association is able to make repayment. It is far better so to conduct the affairs of the association that it will have funds with which to carry on its operations than to resort to such methods.

BENEFITS TO FARMERS IN THE THIRD DISTRICT

Farm loan act has brought down mortgage interest rates and removed the blight on progress caused by short-time and high-priced loans.

In response to an inquiry made of a man who lives in the third district (containing the States of North and South Carolina, Georgia, and Florida) concerning the operation of the farm loan act, from his experience and observation, the board has received the following letter:

"To me the most apparent benefit of the farm loan system is the permanent relief to the farming class from the exorbitant rates charged by the mortgage concerns of this country. Especially is this relief evident in the States of Georgia and Florida and in a slighter degree in the States of North and South Carolina. On the face of loans secured from these mortgage companies the casual observer would hardly consider the rates charged unusual for borrowed money, for the companies are compelled by the law to stay within certain limits for actual interest charges. However, there is nothing in the law prescribing a limit to a fee system which has clothed itself in sheep's clothing and addresses itself as the expense for negotiating a loan. In many cases under our actual observation a fee of from 5 to 8 per cent is charged for the privilege of paying the loan before it is due even a year in the future. These charges are in addition to the regular interest which the borrower is compelled to pay to the expiration date in the event he desires to liquidate a year before the debt is due. In such cases this makes a rate ranging from 13 to 16 per cent on funds which have been actually returned to the lender. These loans usually run from three to five years, and if at the end of that period a renewal is desired the borrower is compelled to advance the expense for negotiation of a renewal loan. These mortgage concerns seem to have devised a system whereby they take all of a man's available funds before they make the loan, and if, during the life of the loan, the borrower is able to accumulate any additional funds, they take that before they allow him to liquidate.

"Such conditions, as you well know, have a tendency to repress any disposition on the part of the farmer to progress in his agricultural pursuits. He is haunted by a feeling of uncertainty, and even though he is amply provided with funds with which he could easily make improvements, or increase his acreage, the fact that he is subject to the will of a purely selfish financier, prohibits a feeling of freedom to act, grow, or expand in any measure in the field of his endeavor.

"The facilities of the farm loan system for alleviating such conditions are familiar to you. With a realization of a debt running over a period of 35 years, the farmer not only rids himself of a feeling of uncertainty as to expanding

his activities, but is immediately possessed of the idea that from a financial standpoint there is no limit to his conservative growth. It puts new life into a profession that has been heretofore on the decline, simply because the farming pursuits offered no outlet to an ambitious son of a debt-ridden farmer. It makes farming a business and not a drudgery."

FEDERAL FARM LOANS ARE EASY TO CARRY

Sometimes they are not burdens but profitable investments.

A secretary-treasurer of one of our national farm loan associations, who is also the editor of a prominent rural magazine in the South, has figured that a Federal farm loan mortgage is a better financial investment than even its most ardent friends proclaim.

"It may seem rather odd," says he, "and most people will question it, but the figures show that a farmer in borrowing from a Federal land bank is actually paying but 3½ per cent interest, though his note reads a rate of 5½."

How does he come to this conclusion? This is the way. For example: A farmer borrows \$1,000 from a Federal land bank. The length of time is 34½ years. The rate is 5½ per cent. In addition to the interest payment he pays about 1 per cent, or \$10, on the face of the loan. The interest payment and the payment on the debt together constitute an installment payment. This sum he pays each year, either annually or semiannually. Since the borrower pays interest on his remaining debt only, he pays a less amount in interest each year and a greater amount on his debt, the annual or semiannual installment remaining the same.

Put it another way. During the life of the loan he will have paid, principal and interest, \$2,242.50. Deduct from this the amount of the principal, \$1,000, and he has paid during the time only \$1,242.50 as interest for the 34½ years on \$1,000. Dividing this by 34½, the number of payments, it appears that the interest rate he has actually paid averages only 3½ per cent per year on \$1,000.

The mathematician with his interest tables can point out why and how the Federal land banks are able to do this, and yet pay expenses of operation and pay interest of 4½ per cent on its bonds, but these tables do not especially interest the farmer.

This secretary-treasurer's statement may to some be misleading. The farmer actually pays 5½ per cent on all the money borrowed from the Federal land bank for all the time he borrows it. To say that he pays only 3.6 per cent would be an error. He pays off a part of the money each year, so he does not borrow \$1,000 for 34½ years. He carries only a small part of it that long. The moral is, not that the Federal land banks lend money at impossibly low rates, but that it pays to retire a part of the debt every year.

"This is the time for America to correct her unpardonable fault of wastefulness and extravagance."—Woodrow Wilson.

COOPERATIVE BORROWING

(Continued from page 1.)

out to the consumers' cooperative company, and now the cooperators own both the packing companies and the chain stores. It won its war with a boot-and-shoe trust also. It forced a flour trust out of existence. The cooperators of Sweden freed the country of the shackles of a giant sugar monopoly and of a powerful margarine trust. The cooperating farmers of Denmark fought the American Beef Trust in the London market and won, and the Danish cooperators are winning in the cement trade with their own plant. All these victories have been won by humble people who have first formed small cooperative societies and then by union become powerful enough to do for themselves what the people of America have never quite succeeded in doing by acts of Congress and Supreme Court decisions.

The national farm loan associations have made it possible for the farmers belonging to them to borrow money during these war times at rates as low or lower, and on much easier terms, than those which prevailed before the war. No other business man has been so little affected in the money market as the American farmer. Whether he has borrowed through the Federal land banks or not, he has been benefited by the system through its competition with other agencies. The man who has made his loan owes to the system some effort in making it a continuing success. It can not continue to exist as a successful cooperative system unless those who have borrowed still look upon the association as a thing which needs their support.

Therefore they should attend meetings of their association. Every borrower has bought stock in it, and he should see that, so far as his efforts can help, it shall continue to be a strong association. The stronger it is the more valuable will his stock be and the less likely will he be to lose his stock.

This BULLETIN is issued for free distribution to all borrowers or prospective borrowers under the Federal farm loan act. It contains some observations based upon the early experiences of the Federal land banks which may be helpful to those who borrow later. It is intended to impress upon the borrower the necessity for uniformity and promptness of action, and suggests ways to eliminate needless delays in the making of loans. Additional copies may be had by addressing the Federal Farm Loan Bureau, Treasury Department, Washington, D. C.

"Democracy means cooperation." It means people trusting themselves, believing in themselves, organizing for their own benefit, getting for themselves all the profit of concentration and efficiency. * * * It means for every man to have a share in the capitalization of his country and the profits of its business, as well as for him to have a vote in its government."—Dr. Frank Crane.

Buy a Liberty Loan Bond.

DO YOU KNOW JUST WHERE YOU LIVE?

A territorial description of your farm that will be permanent is very important when applying for a loan.

Description of territory to be covered by national farm loan associations is sometimes a vexatious problem. The average farmer is more accustomed to dealing with the crops on his land than its location, so the task of determining the territorial limits of an association may be difficult. It is with this thought in mind that this is written; for however much we may wish that members could be admitted within a reasonable distance, the law with reference to the matter is very clear.

The territorial limits of an association must be clearly and definitely stated in such terms as can be easily located by reference to a standard map. Every national farm loan association is a corporate body, and as such must obey the law which requires that these corporate bodies must have places of residence and must clearly define the territory within which they expect to do business.

While there may be a question as to amount of territory to be included, let us suppose that matter settled. The greater task is to describe it properly, for charters can not be granted until the description is satisfactory. About two-thirds of the States have been surveyed according to the United States land survey, which divides each county into townships 6 miles square. The townships are located on the map by the intersection of the ranges and township lines. Ranges are numbered east or west of chosen meridians, while townships are numbered north or south of certain parallels. Some one qualified should be secured to draw up the description, otherwise valuable time is almost sure to be lost and members refused loans until the amendment is accepted.

To secure a loan every farm to be mortgaged must be described and recorded in terms of the land survey, and it is equally important that the territory included by the association should be given in definite terms, because the association can not do business until its location is made clear. The simplest description is to use the county unit, as, for example,

"Washington County."

This method will be satisfactory, for the county boundaries can be easily located.

But if only a part of a county is desired, boundary lines that are permanent should be chosen, preferably those of the United States land survey which gives descriptions in ranges and townships. These terms, when correctly stated, will always be accepted. Thus a locality may be described as—

That territory lying wholly within ranges 25, 26, 27, 28, 29, and 30 east, townships 1, 2, 3, and 4 south.

Permanent topographical boundaries will be accepted if such boundaries are of sufficient size or importance to be lo-

cated on the ordinary map. Thus territory may be designated as—

That part of Monroe County lying north of the Tucker River.

Rivers and large creeks are natural divisions and serve satisfactorily. The foregoing descriptions will include more territory than the farms of a particular locality, but the actual membership can be limited to the desired locality.

None of the New England States, the Appalachian Mountain States, and the Atlantic Coast States, with the exception of Florida, have been surveyed in any such regular way, so range and township language can not be used in those States. The New England States are divided according to "towns"; the Carolinas and Virginias have irregular shaped townships, and Texas has a variety of old surveys. Several other States have somewhat similar conditions. In such States the difficulty of describing a part of a county is apparent. It would be much better to include the whole county unless it is possible to make use of some permanent topographical boundary.

Faulty descriptions.

Some associations have failed to describe all boundary lines, leaving the limit indefinite; others have attempted to use trade centers, as "in the vicinity of Norwald," or "within a radius of 10 miles"; others have used political subdivisions, as "the township of Mills Run, Middle Creek, Riley and Sumner, in the county of Wheaton," or military, civil, judicial, voting, election, school, or other district and precinct divisions. The difficulty of making circular surveys must be apparent, while political subdivisions are continually subject to alterations. Such descriptions mean little to an investor who wishes to be sure that his Federal farm loan bond is good. Names and territories of townships may be changed a number of times within the life of a loan, and unless territorial limits are constantly amended, loans must be refused, and even old borrowers may find themselves out of bounds. Experience is indicating that territorial limits should be large enough to anticipate the growth of associations.

Every faulty description creates more work than dozens of correct ones, clogs the clerical machinery, makes the farmers wait on the mails, and "waiting" means that no loans can be made until the charter has been granted.

If the necessary requirements are not clear, then consult some one who is qualified to handle those details. Consult the county surveyor or the county recorder for land descriptions if they are available, but at all times be careful and accurate in the information given. Furnish descriptions that will not change with the passing of time.

From a prospective borrower in York County, Me. His name can not be given, as it would be a violation of the farm loan act:

"The BORROWERS' BULLETIN is quite an interesting pamphlet, and I wish you would continue to send the same to me as I am getting very interested in farm loans. I understand quite well now what has to be done in order to secure a Federal farm loan."

A LAND BANK ADVERTISING CAMPAIGN

About a year and a half have passed since the Federal land banks started work upon the mass of business awaiting their respective organizations. In most of the districts that business and the subsequent applications have become about cleared away, so that new business may be solicited with a spirit that was impossible under the original great burden of work.

The Federal land bank of Springfield has entered upon an advertising campaign in the agricultural papers of the district composed of New England, New York, and New Jersey. The object of this campaign is to bring home to the farmers of that district the facilities offered by the land bank and by the national farm loan associations. Every farmer writing to the bank for information will be sent a card of introduction to the secretary-treasurer of the association in whose territory his farm is located. Once a week the secretary-treasurer will be furnished with a list of names and addresses of those in his territory to whom cards of introduction were given so that he may follow them up, do what he can to help them, and get their applications for loans.

The officers of that bank feel that the advertising campaign will be productive of much good to its associations, in increasing their membership, in getting good loans, and in putting them on sound foundations and a paying basis. But, of course, the extent to which these associations will benefit by the advertising will depend very much upon the care with which the cards of introduction are followed up and the promptness with which the applications for loans are attended to.

It is the policy of the land banks to construe the section of the act relating to the matter in a liberal spirit and to place no obstacle in the path of the borrower that might interfere with any reasonable plan that he might have.

ATTENTION! APPRAISERS AND SECRETARY-TREASURERS

Requests for copies of the BORROWERS' BULLETIN are coming in from men and women desiring information for themselves and others concerning the Federal farm loan system.

If you desire more than one copy of the BULLETIN each issue mailed to you for distribution in your field of activity, by writing to the Farm Loan Bureau, Washington, D. C., the number of copies requested will be sent.

The BORROWERS' BULLETIN is published for farmers who are borrowers, and also prospective borrowers, and should have as wide circulation among our rural population as possible.

For the farmer to know that a bank is being operated solely in his interest is a new and strange experience, and that this bank for him is located where his needs can be understood and attended to by mail is also a new experience. However, as communities learn to think cooperatively, greater advantages and blessings will accrue to the cooperators.

LOAN COMMITTEE PROBLEMS

(Continued from page 1.)

greatly, it should be understood that the law of averages must be applied in any community. We would not value the land of a community on the basis of the expert farmer with adequate capital, any more than we would on the basis of an inefficient farmer without adequate capital. The expert farmer's land may be in better condition and therefore deserve a higher valuation, just the same as the condition of the ignorant farmer's land may be such as to deserve a valuation much below the average. This is, however, only indirectly on account of the man and directly because of the condition of the farm itself. In case of the death of the owner, the extra well-kept farm may be quickly reduced in value, and the extra poorly-kept farm may be quickly increased. Only relatively permanent differences in value should be considered in making the appraisal. In making the recommendation, however, the expert farmer may warrant a liberal loan, while the very inefficient farmer may warrant a very conservative loan, or possibly none at all.

"It is not an easy task, and it takes time, to find the average earning power of the farms of a community. That is one of the reasons why the most intelligent men in the association should be put on the loan committee and kept there. It will pay any farmer for his own sake to become well informed on these matters. You should have some good figures on the earning power of farms in your association. The very best way to make a beginning that is worth while is to write to the economics department of the agricultural college of your State university. Most of them have record books for free distribution, with instructions how to proceed. Your county agricultural agent will also be able to assist you greatly. These record books show what each farmer's business pays. The farmer ought to know what his business pays, as well as the city business man. After you have a number of these farm records in your territory, showing the producing power of farms, you can work out averages for the different kinds of soil, surface conditions, cultivation, location, and improvements, which will have great value and constitute good evidence before any court.

"You can keep an earning-power file with a pocket for each township, and whenever you get any information on the subject you can properly file it. You can also draw a map showing the location of the farms on which you have some good earning-power figures.

"After you have gathered and tabulated some good facts and figures of land values on the basis of sales and earning power, you can compare the two and see how they agree. You must remember that the Federal farm loan system loans only for agricultural purposes, and therefore you can not consider the farm primarily for any other purpose, such as minerals, summer resorts, etc. If other factors besides those for agricultural purposes have increased land values, you must not consider them. You will probably conclude that it is not good mortgage business to go above the maximum that can be loaned on the basis of the

capitalized earning power and the probable sale of the farm. Therefore in most cases the lower of the two factors will govern in the final valuation. Capital flows freely into a community where the earning power exceeds the sales value and tends to flow out of a community where the sales value exceeds the earning power. For agricultural purposes the difference between sales value and earning power will never differ widely for a long period of time. The earning power is the fundamental factor for agricultural purposes and the sales factor is the one most closely related to it.

The amount experienced investors are loaning.

"The loan committee in particular and all the members in the association in general have now become bankers. They own bank stock and they pass on mortgage loans. It is natural when a new farmer comes into the neighborhood that he watches carefully to see what the other farmers do who are experienced in that neighborhood. You must do the same thing as bankers. For years, perhaps, experienced bankers and investors have been loaning money on farms in your territory. They know more about that business than you do. Now, you can find out just as easy what they are loaning on farms as the new farmer can see what kind of work the old, experienced farmers are doing on their farms.

"You should also find out definitely how much the chief investors are willing to loan per acre on improved farms. These men have had years of experience loaning money in your locality, and they are just as anxious to get their money out on good security as the farmers are to borrow it. They will loan as much as they can per acre, consistent with good safe loans. These investors have studied your locality carefully and know how much they can loan per acre with safety. You can find out what they are loaning by going to your register of deeds and taking down all the mortgages recorded during the last full year by the principal investors. You can get the register of deeds or someone in his office to make you the list. Ask him to give you the following information: (1) Name of investor; (2) date filed; (3) amount loaned; (4) legal description; and (5) acreage. Then figure the average per acre loaned on each farm and classify the number of acres on which loans were made up to \$5 per acre, from \$5 to \$10 per acre, from \$10 to \$15 per acre, from \$15 to \$20 per acre, etc. Then find the acreage per cent of all the loans made in the foregoing classes. This will show the range per acre that investors experienced in making loans in your locality are willing to loan.

"If you see you are recommending more than they are willing to loan, you should stop and seriously reconsider your conclusions. You can afford to be conservative for, if you make a mistake, you can rectify it, while a mistake the other way can not be rectified. Do like the foxy Irish farmer did when a silk-stocking hedge-fence agent came around and sold the other farmers worthless slips for hedge fences. He said: 'Well, I'll wait and buy slippies from the neighbors, after I see how well they grow.'

CREEK CO. ASSOCIATION

(Continued from page 3.)

otherwise discrediting our Government. The bank at Wichita informs us that their bonds have had ready sale and they have plenty of money to loan to farmers at 5½ per cent.

"If you own dead Indian land, come in and let us get your title cleared up. It will not be necessary for you to belong to our association to do this. Below we copy a letter from the Wichita bank that will explain itself:

"The most far-reaching Federal loan act in all history became a United States law July 17, 1916. This act guaranteed to the farmers of our country the lowest rate of interest on farm mortgages, the easiest plan of payments, the most liberal extension of time; it guaranteed aid to the rich and poor farmers of every section of every State alike; it was designed to give the farmer all the profits of his labor and his products, and *it has made good*.

"The officers of the Federal land bank of Wichita feel proud of the record the new law has made in the Ninth District. More than \$12,000,000 had been paid out by July 1, 1918; \$100,000 have been saved to the farmers of Kansas in interest charges on the loans we have closed; more than \$100,000 have been saved Oklahoma farmers; \$7,000 have been saved the Colorado farmers and \$80,000 have been saved the New Mexico farmers. The great fact is that this is the record of just a little over a year. These amounts will increase from month to month, no farmer's mortgage will ever become due, every installment will decrease the principal as well as the interest due.

"Every association, including officers and members, is hereby invited and urged to celebrate this anniversary date with us. Will you not, everyone, take up the Federal loan with your neighbor, hold a meeting if you can, and send us in four or more new applications by this date. Make a great rally. * * * May we not hear from you? Would it not be great if every borrower could celebrate this date by securing another application from one of his neighbors?"

HOW TO CHANGE CHARTER TERRITORY

National farm loan associations have no authority to change their territory except by resolution amending their charters, and this must be approved by the Federal Farm Loan Board. This resolution must be recommended by the executive committee of the Federal land bank of the district concerned, and sent to the board by the bank. If approved by the Federal Farm Loan Board, a certificate of amendment will be issued. This covers the problem.

Suppose an association has changed its territorial boundaries without any correspondence with the Federal land bank of its district. It then receives applications for loans outside its legal territory. Later, when such applications are received by the Federal land bank for approval, they must be rejected on account of being outside the territory as chartered.

ADVENTURES IN FARM MORTGAGE LOANS GUIDED BY UNCLE SAM

Being observations, experiences, remarks, and stories of some who have entered into the Eldorado of low interest and amortized farm mortgages.

The following letter to a Federal land bank appraiser in the Eleventh District is from a retired capitalist who has had many years of experience in investments and loans in California, and is said to be a shrewd observer of borrowers and equities:

"DEAR SIR: If the framers of the Federal farm loan act could see the class of men who are taking advantage of this law they would appreciate what a great thing they have done for the development of a new country. One could not find a sturdier lot of honest, intelligent, hard-working farmers than we met on our recent trip through Kern, Kings, Tulare, and Fresno Counties.

"If the painstaking care you displayed in your work on this trip is characteristic of all the land bank appraisers throughout the United States, then your farm loan bonds have the strongest security in the world behind them and there is ample margin of equity. You were certainly most painstaking and careful in your work, going over every portion of each property we visited and, in your final analysis, considering not only soil, but also water and drainage conditions as well as all other factors. If any of the makers of this law are skeptical of the efficiency of this work, it would be a liberal education to them to accompany you on one of these trips for a couple of weeks, as I did.

"Another feature of your work that pleased me was the authority you exercised in the limitations of the uses to which the money should be applied, seeing that it was used where the most good could be accomplished and nothing wasted. You appraisers have great authority and prestige with your farmer applicants, and if that authority is wisely exercised its influence will be of great benefit—raising the standard of home life, giving more sanitary homes, and assisting in the more intelligent planting of proper crops for each individual farm. You seem to know the farmer and his farm, and have manifested deep interest in his problems, which is a necessary essential of the appraiser if the Federal farm loan system is to accomplish its full usefulness.

"I was agreeably surprised to see the assistance rendered to you in your work by the country bankers generally; they are indeed showing a fine spirit in the assistance they are lending the system. Another thing that pleased me much was that in our trip the farmers applying for these loans were in almost all cases those opening up new land and increasing the area under cultivation.

"Your system of long-time loans will undoubtedly prove a great help to farmers, as it effectively does away with the old-time hazard of foreclosure. The class of men applying for these loans, as demonstrated in this trip of appraisals, was a surprise. All of the applicants visited were Americans but two, one being an Irishman, long in the country, and the other a Canadian of Scotch descent. It is a wonderful system, and is helping just the man who needs the help most, and the class of men we met are in every

way worthy of all the help they can get, as they are making things grow where nothing grew before.

"I enjoyed studying your work and what it is doing for the building up of the country. I was surprised at the class of men that the land bank is helping and the work it is making possible for these men to do. I was also surprised at the help the wives of these men were giving them. Women were seen helping their husbands break up new farms, doing their work alongside the men. I saw a woman driving a scraper to help her husband level up a field for alfalfa, one was driving four horses on a gang plow, and another was milking a string of 12 cows and running the dairy while the husband was getting the ranch planted. Men with wives like this can not make a failure, for these women will not let them. The applicants were, almost without exception, young men just full of energy and ambition and not afraid of hard work. With such parents, the next generation will be worthy of being called Americans.

"My impressions are that in making this farm loan system its makers builded better than they anticipated. I am so thoroughly in sympathy with what is being done by you in this work that, if this frank expression of my impressions can in any way be of help to the good work, you are at liberty to make any use of it you may choose.

(Signed) "A. D. LOCKWOOD."

"Hon. D. G. O'SHEA,
"President of the Federal
Farm Loan Bank of Spokane.

"I have read carefully the criticisms and correspondence in a Montana paper. I must say that I am surprised. The Federal farm loan system and the legislation relating thereto are the finest efforts in behalf of the farmer ever devised and the operations of your bank so far as I have been able to observe as nearly perfect as is possible in such matters.

"All delays were occasioned by defects of securities that could not be passed by, and grew out of the faults of others and not of the bank. An abstract company failed to mention a patent of record, and a bank had recorded a mortgage given on a different section by another borrower. To distribute loans such as you make with less precaution would destroy the Government system. There is no red tape about it. It is pure business, and the best-handled business that I know of.

"We organized a local association with the aid of the First National Bank of Hinsdale, Mont., reaching 60 miles or more from the railroad, and the appraisers went carefully over each claim, and by a careful valuation which was modified in a few instances by the Federal appraiser, and where the securities were correct, there was not a hitch; only when error was made did delay occur.

"For a farmer to borrow these times a loan at 5½ per cent, beside the amortization, for a lifetime, with the interest

and a small amortization in addition, is the greatest boon that can come to him. Former methods of 10 per cent or 12 per cent on 90 days' time, interest compounded four times a year, and in addition a bonus, and in tight times a refusal to extend and a closing-out process, will be consigned to oblivion if every farmer who needs aid will help to form a local association. It surpasses anything I know of in the financial world.

"There is no doubt that the drought prevents some from making their payments at such a time as the present. The farm loan system should be kept intact without too hard pressure at such disastrous times. A good crop year will place the farmers in shape to meet such obligations.

"It is my opinion that the Federal farm loan system is a benefit to good and regular banking of commercial banks, and should not be antagonized by them. If the farmers are aided, there is still scope enough left for the regular banks to do a prosperous business with them.

"My object in writing you at this time is to assure you that you are held in high esteem and greatly appreciated in the vicinity of our association, and the able business ability of yourselves and colleagues unquestioned. If all associations are as well served, and we have no doubt of it, you have been a benefactor to all farmers that have come under your service. May you live a long time to see the outgrowth of your marvelous work. With grateful regard,

"Yours sincerely,
(Signed) "F. A. RIGGIN.
"Valley County, Mont."

The following is a sample of numerous unsolicited letters which have been received by the Federal land bank of Omaha. This letter is from a banker who is secretary-treasurer of a thriving national farm loan association. He has had years of experience in making farm loans, and his testimony is a tribute to the working of the Federal farm loan system:

"I am writing to tell you how our association members feel in regard to their loans received through your bank. These members to the man are satisfied, and not only that, but consider that we closed the loans the quickest of any I have ever handled through this bank and with the least friction. These men are all satisfied with the amounts loaned and the fact that they run so long and on easy payments.

"They are all now boasting for new members during the summer and fall. We thank you for the promptness and courtesy with which you handled this business."

Make your farming operations a business and not a drudgery.

"It takes money to make money." Are you satisfied with your farm income?

Buy a Liberty Loan Bond.

The Borrowers' Bulletin

ISSUED BY THE FEDERAL FARM LOAN BUREAU, U. S. TREASURY DEPARTMENT

VOL. 1

WASHINGTON, D. C., OCTOBER-NOVEMBER, 1918

No. 8

MINNESOTA FOREST FIRES.

Federal Land Bank of St. Paul to Aid in Reconstruction Work.

Not since the San Francisco earthquake has this country been visited by such a calamity as occurred in Minnesota last October as the result of fire and wind. Almost without warning a large area of northern Minnesota's rich farming country was swept over with a hurricane of fire that destroyed everything in its path.

Conditions were just right for a fire of this kind. The fall had been unusually dry; there had been no burning of the brush and timber for about 10 years and the peat bogs that had been smoldering for months were all ready to spring into a blaze when fanned by a 60-mile-an-hour gale. This terrific wind continued all through the night of October 12, driving this wall of fire over a strip of country about 30 miles wide and 60 miles in length. The air seemed charged with gas and liquid fire which came rushing across open fields, burning live stock, buildings, and whatever happened in its path. Sudden spurts of wind would shoot out large tongues of flame from this main body of fire, licking up everything within its reach.

The next morning presented a woeful picture of desolation and destruction. Over 15,000 people were made homeless and destitute. These refugees flocked to the near-by cities, where homes were opened and everything possible done to relieve their sufferings. A number of prosperous villages and cities were entirely destroyed and others partially destroyed. It is estimated that 3,000 farm homes were burned up and about 1,200 human lives lost. The roadsides were strewn with bodies of men, women, and children who lost their lives while rushing by automobile, by team, and by foot in order to find some haven of safety; but the onrushing fire demon came too fast for even the fleetest automobile.

The day following the fire the relief work was well underway. The governor of Minnesota and other State officials were early on the scene of destruction and immediately took hold of organizing relief committees. Voluntary contributions soon reached a total of \$1,000,000 and have now exceeded that figure. This fund was placed in charge of a special committee appointed by Gov. Burnquist, and this organization in a few days had large crews of builders on the ground constructing temporary shelters on all the burned-over farms. Each little home will be equipped with simple household furnishings.

In the spring some live stock and sufficient clover and grain seed will be fur-

DELAY IN PRINTING AND DELIVERY

The printing of this issue of the *BORROWERS' BULLETIN* has been delayed a month because the Government Printing Office has been overcrowded with the work of getting out annual reports of the various departments, war work printing, special congressional and other work.

The congested condition of the mails caused by the holiday season also explains the delay in delivery.

nished to every farmer. All this to be given free. This temporary assistance will carry these farmers comfortably through the winter months, and next spring they will be ready for the permanent rebuilding and restocking of their farms.

The directors of the Federal land bank of St. Paul made a hasty survey of its loans in the burned district the morning after the fire and found that this entire territory was covered with national farm loan associations. Several officers of the bank spent most of the first week in the fire-swept country making plans for permanent reconstruction and assisting in the reorganization of many of the national farm loan associations where officers or directors had lost their lives in the fire.

A later and more careful survey showed that practically all of the buildings and live stock on loans held by the Federal land bank were insured to from 60 to 80 per cent of the full value. This insurance, including that held by the mutual companies, will be paid in full.

In discussing the matter of rebuilding farm buildings with a number of farmers, it was found that in order to construct the necessary buildings and restock their farms with live stock it would require more money than the Federal land bank could loan under the 50 and 20 per cent ruling. There seemed to be a real demand for some organization that would loan these farmers a few hundred additional dollars on second mortgage security. Many banks in the villages were burned and the demands on the others are so heavy that it is impossible for these farmers to secure the short-time bank accommodations that they formerly had. In view of these conditions the directors of the Federal land bank suggested to the business men of Minnesota that an organization be formed for the purpose of advancing funds on second-mortgage security at a low rate of interest and on long-term payments for the purpose of assisting these home builders. As a result of this suggestion a move is now underway to organize a home-building trust. The following paragraphs

(Continued on page 7.)

SOME BANKS WILL PAY DIVIDENDS SOON.

Several land banks are expecting to return profits to borrowers through their associations.

Borrowers under the Federal farm loan system are required by law to purchase stock in their associations to the extent of 5 per cent of the face of their respective loans. Thus, a man borrowing \$1,000 is required to pay \$50 for stock in his association, and a borrower receiving the maximum loan (\$10,000) must purchase stock in his association to the amount of \$500.

These sums paid by borrowers for stock in their national farm loan associations are invested by the national farm loan associations in stock of the Federal land bank. The borrowers are, therefore, stockholders in their respective associations, and the associations are stockholders in the Federal land bank. Every borrower, therefore, is directly interested in the stock of the Federal land bank and in the prosperity of the bank.

Borrowers who have been accustomed to the payment of commissions for loans have looked upon this provision as imposing upon them a commission under another name, and many of them have thought of this 5 per cent payment as an amount paid for getting the loan and have neglected its real importance. The Federal Farm Loan Board has constantly sought to impress upon farmers that this is not a payment for a loan or something which really amounts to nothing but a commission, but that it is a real investment, and that it may be expected that ultimately dividends will be paid to borrowers under this law. Up to this time the Federal land banks have not been able to pay these dividends. The system has been in process of building, and the expenses of the land banks have been heavy. The expenses of conducting these banks must of course be paid before any dividends can be paid to the farmers.

No pains have been spared to bring about an economical administration of the Federal land banks. For all this, however, it costs considerable money to operate a bank. Every borrower ought to constitute himself a missionary to bring in new loans, thereby putting on the books of the land bank an increase in the volume of its business, and helping to pay himself dividends on his investment in the stock of his national farm loan association. It pays to be a missionary for the Federal farm loan system. Just as soon as any bank gets enough business on its books to give it a profit, part of that profit will be returned to the national farm loan associations in the form of dividends on the stock held in the Federal land bank.

(Continued on page 6.)

DOES YOUR NEIGHBOR WANT A FARM LOAN?

If he lives in the eighth district the Federal Land Bank of Omaha invites him to share in the advantages and profits of cooperative borrowing.

The Federal Land Bank of Omaha recently sent the following letter to borrowers under the Federal farm loan system in the eighth district, comprising the States of Iowa, Nebraska, South Dakota, and Wyoming:

"The loan which we have made you has undoubtedly proven satisfactory and has shown you the advantages of the Federal farm loan system. You are now personally interested as a stockholder in your association in the future success and profits of the system. We feel justified in asking you for a little help which will benefit you personally.

"We have made great progress in systematizing the details of our offices and are in position to close a much larger volume of loans with our present force. This has worked material economy in the cost of administration and the bank is in highly satisfactory financial condition. The Treasury Department has made arrangements which provide abundant funds for making loans. It is important to the stockholder, therefore, that the business of the bank be increased as rapidly as possible. The profits of the bank will be returned to the borrower through his association in dividends. It is very materially to your personal interest, therefore, to help increase the business of your own institution.

"We offer to every farmer who has adequate security the advantage of a loan at the lowest rate and on the easiest terms obtainable. No other institution can offer these advantages. Will you please do this:

"You have a neighbor or two who need loans. Tell them that your experience with the Federal land bank has been satisfactory. Take them to your secretary-treasurer and help fill out their applications. You will do your neighbor a favor and help yourself by helping build up your association. If we can help in any way we will be glad to write to your neighbors and explain the matter fully if you will give us their addresses. This bank has now loaned nearly \$16,000,000. We expect to have loans of \$25,000,000 before next April. Our success in reaching this goal depends largely on what you and our other stockholders do personally. Please get busy on your little share of this effort and let us hear from you that you are in the game to make your bank the biggest thing that has ever been built to help the farmer.

"Yours very truly,
THE FEDERAL LAND BANK OF OMAHA."

For a number of years Iowa, one of the richest farming States in the Union, has had the largest percentage of farm mortgages of any of our States. The economic reasons for this are not our present concern. Since the organization

of the system to October 31, 1918, 2,885 Iowa Federal farm loans have been granted, amounting to \$9,865,190—nearly \$10,000,000. While it is true that many of these loans were placed with the Federal land bank for the purpose of paying off a farm mortgage at a higher interest rate than the Federal farm loan system charges, the greater fact is that the farmer sees a definite prospect of wiping out his farm-mortgage debt while at the same time improving his farming and living conditions.

HOW SPECULATION IN FARM LAND WORKS

Practice and Theory as a Michigan Man Sees It.

The following is from a farm owner and operator, now living in the city, for reasons which he explains:

"One of the most encouraging and important features of the Federal Farm Loan Act is the basic principle on which it operates—that is, that the value of the land for farm purposes shall be the basis and the earning power shall be a principal factor. This principle introduced into the affairs of farmers will have a tendency to draw their attention to an evil which, although an evil, has a certain glamour to farmers that has caused them to endure it, and as a general thing to encourage it. That evil is the speculative selling price for farm lands. These speculative prices have a basis that is erroneous and invariably works for evil so far as the interest of real farming is concerned. When the fundamental factor for real estate investment in farm lands—the actual earning power of the land—is thoroughly established and is an accepted principle, any departure from which will be represented by the farmer, much of the evil that now besets farm operations will be removed and farming will be as staple and as sure an investment and as attractive a position as any in the cities that are now drawing from farming resources so many of our ambitious farmers who are bound to get on in the world.

The farm loan act says, "the earning power of said land shall be a principal factor." That is the only factor applied to urban land. When I or any intelligent investor buys urban real estate, he bases his purchase price upon the net income of the real estate capitalized. No sensible man seeking an honest investment does otherwise, and the same rule should apply to farm real estate; a departure from it is even more dangerous there than in the city. Necessarily it would drive the occupants off the farms and leave the countryside desolate, because the products of the farm land would yield then no revenue to labor.

If sufficiently emphasized the Farm Loan Bureau, doing all its work on that principle, will plant the roots of that principle so deeply in the soil that finally it will become the settled policy for farm investments. And isn't that why the farm loan bureau is assailed so vehemently by certain interests that are active in farm speculation? I think the farm loan board is doing a great and good work, and without the BORROWERS' BULLETIN it would be

hid under a bushel. Therefore, I am glad to know that the BULLETIN is being circulated amongst the farmers. It is teaching them correct principles, it is elevating their business to a respectability and a desirability that will place them even beyond urban business in attractive features, for many of us who live in the cities do not live there from choice. We can make more in the cities than in the country because our opportunities are greater; we are able to better evade the exploiter and to render his exploitations harmless, so far as we are individually concerned. This gives us greater resources, and with greater resources we get more out of life; it is broader and better not only for us but for our families; all of which is within reach of the farmer and will be realized by him when his opportunities are made equal.—FRÉDÉRICK F. INGRAM, *Detroit, Mich.*

HARK! REMEMBER ANNUAL MEETING DATE.

Stockholders will elect directors for coming year—Every borrower a stockholder—No proxies allowed.

Watch for notice of the hour of the annual meeting of stockholders of your national farm loan association. It may come either by mail or notice in your local papers.

The day is Tuesday, January 14, 1919. It is essential that each member be present at this meeting for the election of directors and for other business. Your vote is necessary for the proper management of the association in which you hold stock. The directors you elect must look after your association's affairs for one year; therefore you should be present to help elect them.

Only those members who have had their loans closed and have received receipt for their stock, thus becoming stockholders, are entitled to vote. The voting strength of members is outlined in the farm loan act, being one vote for each \$5 of stock held, no one member to have more than 20 votes.

The Federal Farm Loan Board has ruled that no proxies shall be permitted in the annual meetings of national farm loan associations. Any member not present loses his votes.

WATCH FOR YOUR LOCAL MEETING.

The by-laws of associations require that notices of annual meetings be sent in writing by the secretary-treasurer to each member 10 days previous to the meeting date. At this time it may be well for members to watch their local papers, as it has been suggested that where practicable secretary-treasurers publish notice of such meetings in their respective local papers, thus saving time, postage, stationery, and labor. Of course, this suggestion will not stand where the by-laws require personal notices by mail.

COOPERATION AND FAIR PAY PROMOTE BUSINESS

A secretary-treasurer of an Idaho association recently addressed a letter to the Farm Loan Board to advise it of the fact that he had not received any pay, and suggesting that a dividend of 5 per cent of the stock of his association would solve some of the problems. A member of the board wrote the following letter, which may be worthy of consideration by many secretary-treasurers, officers, and members of other associations:

Your letter relating to remuneration of secretary-treasurers has been placed before me. In it you state that you have served nearly 18 months as secretary and treasurer under a \$10,000 bond, and have not received 5 cents, although your work is easily worth \$150.

I think you are right in estimating your services at that value, and you really should have received some remuneration.

According to your statement of the stock in the land bank, you have loans outstanding amounting to \$69,150. This probably means that you have in the neighborhood of 20 loans and you have probably had 30 applicants. If each of these applicants had been required to pay into the funds of the treasury a small membership fee, say \$5 on the average, your association would have been in receipt of an income from membership fees amounting to about \$150, because those who failed to get loans as well as those who received them would have contributed a small amount, which would be perfectly fair. If, in addition to this, you had charged the borrowers for the expense incurred by the association on their loans, say one-half of 1 per cent at the inception of their loans, you would have received \$345.75 from this source, making a total income of \$495.75. Such charges as these on 35-year loans at 5½ per cent are certainly reasonable, and borrowers in many parts of the United States are paying them cheerfully. Such charges as these are being paid cheerfully by borrowers under the farm-loan system in territory where interest rates have been much lower than in Idaho.

Why not adopt some such plan as this, varying it, if you please, according to your local conditions at this time, and govern future business accordingly? You would thus be able to extend the business, pay the secretary-treasurer out of the funds of the association more than you say you should have received, and put your association on a thoroughly solvent basis.

Your land bank is gradually nearing the stage of development where it will begin to pay dividends on your stock in the land

bank. A dividend of 5 per cent, which you suggest might be paid, would seem to be a reasonable expectation. In that case you would have an additional fund of about \$200 a year, which will be increased as you increase your business, which would soon bring the income of the association up pretty well toward a thousand dollars a year. You would still probably maintain the membership charge so as to get something out of the applications which fail, and also a small percentage on the face of the loan, so as to be able, perhaps, to declare a dividend back to the farmers on their stock in the national farm loan association. There is no practical reason why every national farm loan association in the United States should not strive to reach this situation; and I recommend to you a meeting of your board of directors, at which this letter may be considered, with the idea of putting yourselves on a basis of modest financial solvency so far as the expenses of the association are concerned.

Wherever farm loan associations can so manage their affairs as to pay their secretary-treasurers out of funds received from other sources it would seem better to do so rather than to use for that purpose the dividends which in some districts will ultimately be paid by the Federal land banks. It would be an excellent thing for the system if, instead of using these dividends for the support of the associations, they could be paid over to the borrowers in proportion to their respective shares of stock in the association.

ADJUSTING OURSELVES TO WORLD CHANGES

On account of war conditions and the abnormal prices which farmers have been receiving for their products, there is likely to be an inflated idea of land values in the mind of the general public. It is difficult for people to think along normal lines in times like these, and we are likely, unconsciously perhaps, to forget conditions which obtained in years gone by when \$1 a bushel was a big price for beans, and corn sold for 15 cents and wheat for 38 cents each per bushel. In the Congressional Record of September 14 is a table showing increase of prices in 1918 over those of 1908. In almost every case the price has more than doubled.

For these reasons every one connected with the Federal land banks should guard himself against being influenced by these conditions, and appraisers especially should bear in mind that the security for our long-time loans must endure through periods of depression, as well as through times of inflated prices. This is no reflection on anyone connected with the system—simply a friendly word of caution. The great European war is now over, and as soon as practicable the world will begin to live on a peace-time basis, or in so-called "normal" times. "Normal," however, may not be the normal we knew before the war.

DISBURSEMENT OF FARM LOANS

Purposes are plain though methods may differ, and officers' duties are clear.

Section 12 of the Federal farm loan act stipulates that a Federal land bank can make loans for certain purposes only. Section 7 of the act charges the secretary-treasurers with the duty of seeing to it that the proceeds of the loan be used for the purposes specified in the loan application.

Each of the 12 Federal land banks has its own particular method of disbursing loans. One bank has adopted the practice of placing the proceeds of all loans to the joint order of the borrower, the secretary-treasurer, and the attorney in charge of the loan. This method it considers especially necessary where all or even part of the loan is to be used for removing mortgages or other encumbrances on the farm, and in cases where the loan is made for the purpose of erecting buildings or making other improvements which materially affect the security of the loan. In the first case, it is necessary that the attorney and secretary-treasurer retain control of the funds until the papers are signed and all liens removed. In the second case, the secretary-treasurer retains such control to make sure that the improvements are made. In all other cases, especially where the amount involved is small, there can be no objection to the money being turned over to the borrower with the understanding that it should be applied as stated in the borrower's application.

The question has been brought up as to what extent, if any, an applicant will be permitted to change the purposes of the loan after it has been granted. Generally speaking, where the loan is made for improvements or for the purchase of live stock and equipment, the diversion of the funds to a purpose that is entirely different will not be allowed. Even when the diversion is for a purpose not unlike the one for which the loan was made, and within the province of the act, the bank must be consulted to determine whether it has any objection to it. Any change the borrower might want to make in the application of the proceeds of the loan should be submitted to the land bank by the secretary-treasurer with his recommendation for the approval of the land bank in writing.

The farm loan act has benefited even those farmers whom it has not directly served by bringing about more favorable conditions for those persons who have and will in future borrow elsewhere. But for this act of Congress the rates of interest and commissions that are prevailing to-day outside of this system would, because of war conditions, be considerably higher. The Federal farm loan act may therefore very properly be called the governor of the Nation's farm mortgage loan machinery.

"It takes money to make money." Are you satisfied with your farm income?

FARM LOAN DIRECTORY.

A column of boiled-down information about the Farm Loan System, its organization and personnel.

Location: Treasury Department, Washington, D. C.

Members of board: CARTER GLASS, Secretary of the Treasury and chairman ex officio; GEORGE W. NORRIS, farm loan commissioner; HERBERT QUICK, W. S. A. SMITH, and CHARLES E. LOBDELL.

Secretary: W. W. Flanagan.

THE FEDERAL LAND BANKS.

District No. 1.—Springfield, Mass., serving the States of Maine, Massachusetts, Vermont, New Hampshire, Rhode Island, Connecticut, New Jersey, and New York.

District No. 2.—Baltimore, Md., serving the States of Pennsylvania, West Virginia, Maryland, Delaware, Virginia, and District of Columbia.

District No. 3.—Columbia, S. C., serving the States of North Carolina, South Carolina, Georgia, and Florida.

District No. 4.—Louisville, Ky., serving the States of Indiana, Ohio, Kentucky, and Tennessee.

District No. 5.—New Orleans, La., serving the States of Louisiana, Mississippi, and Alabama.

District No. 6.—St. Louis, Mo., serving the States of Illinois, Missouri, and Arkansas.

District No. 7.—St. Paul, Minn., serving the States of North Dakota, Minnesota, Wisconsin, and Michigan.

District No. 8.—Omaha, Nebr., serving the States of Wyoming, Nebraska, South Dakota, and Iowa.

District No. 9.—Wichita, Kans., serving the States of New Mexico, Kansas, Colorado, and Oklahoma.

District No. 10.—Houston, Tex., serving the State of Texas.

District No. 11.—Berkeley, Cal., serving the States of California, Nevada, Utah, and Arizona.

District No. 12.—Spokane, Wash., serving the States of Idaho, Washington, Montana, and Oregon.

These banks are engaged in lending money to farmers on first mortgages on farm lands at a rate of 5½ per cent. The mortgages are repayable on the amortization or installment plan through periods ranging from 5 to 40 years. Loans may be made up to 50 per cent of the appraised value of the land plus 20 per cent of the value of the permanent insured improvements for approved agricultural purposes.

A farmer desiring to become a borrower should address a letter of inquiry to the Federal land bank of his district asking for the name of the farm loan association nearest him, or for papers to enable him to organize an association if none has been organized in his community.

WHY NOT COOPERATE?

Compared with European countries, the United States are lagging behind in cooperation—rural, industrial, and commercial. Democratic Switzerland leads in this respect, with one-fourth of her people in the movement. Denmark, Holland, Norway, and Great Britain are closely behind. Italy, Spain, Belgium, and in fact nearly all the European countries have tried the plan and found it of great service. There are societies two and three generations old—cooperative pioneering antedating the Victorian period. May not the Prophet Isaiah have had this thought in mind when he said, "Why spend ye money for that which is not bread and your labor for that which satisfieth not?"

\$7,580,736 PAID OUT TO FARMERS ON MORT-GAGE LOANS IN OCTOBER BY FEDERAL LAND BANKS—\$7,056,700 PAID OUT IN SEPTEMBER

During the month of October \$7,580,736 were loaned to 3,075 farmers of the United States by the Federal land banks on long-time first mortgages, according to the monthly statement of the Farm Loan Board. The Federal Land Bank of Spokane leads in amount of loans closed, \$1,260,180, with the Federal Land Bank of St. Paul running slightly behind in amount, \$1,053,500. The other 10 banks closed loans in October as follows: Wichita, \$760,600; Houston, \$753,320; St. Louis, \$708,406; New Orleans, \$576,675; Omaha, \$519,900; Louisville, \$459,300; Berkeley, \$456,000; Columbia, \$402,925; Baltimore, \$322,400; and Springfield, \$307,580.

On November 1 the total amount of mortgage loans closed since the establishment of the Federal land banks was \$139,378,156, numbering 61,174 borrowers. During October 2,838 applications were received asking for \$11,818,132. During the same period 3,387 loans were approved, amounting to \$9,007,149. Altogether 104,171 have applied for loans under this system, aggregating \$265,396,112.

The grand total of loans closed is distributed by Federal land bank districts as follows:

Spokane	\$21,659,900
St. Paul	19,773,300
Omaha	15,642,740
Wichita	15,017,600
Houston	12,528,379
New Orleans	10,043,615
St. Louis	9,455,077
Louisville	8,897,900
Berkeley	8,502,000
Columbia	6,932,820
Springfield	5,482,875
Baltimore	5,441,950

During September \$7,956,700 were loaned to 2,902 farmers, distributed as follows: Spokane, \$1,079,625; St. Paul, \$930,400; Wichita, \$689,200; Omaha, \$605,500; Columbia, \$604,105; Houston, \$529,845; Louisville, \$505,000; St. Louis, \$503,540; Berkeley, \$436,900; New Orleans, \$419,485; Baltimore, 417,450; and Springfield, \$335,650.

FARMERS GETTING SEED-GRAIN LOANS

Farmers living in drought-stricken areas and who have had two successive grain-crop failures are taking advantage of the President's war emergency fund offer to loan them money for seed grain. Figures from the affected States are unavailable in full because seed-grain loans for fall planting and requests for spring planting are still in process of making.

However, in Montana, up to the latter part of October, 1,513 applications had been filed, of which 1,417 were approved, aggregating \$300,154. Of those rejected a number were itinerant renters. The commercial banks and national farm loan associations assisted the Spokane bank in this work, as the Government had designated the Federal land banks in the drought-stricken regions as agents for executing this special work. The farmers who availed themselves of the service seemed satisfied with the manner in which the business was handled.

The other Federal land banks in the drought areas—Houston, Wichita, and St. Paul—are still engaged in arranging for such loans, and complete figures may not be ready for several months. The August-September issue of the *BORROWERS' BULLETIN* explained the emergency seed-grain law, extra copies of which may be had by addressing the Federal Farm Loan Bureau, Washington, D. C.

The Farm Loan Bureau, in Washington, again went over the top in its subscription to the Fourth Liberty Loan. Nearly every employee subscribed. The quota assigned this bureau was \$16,725; the amount subscribed was \$29,350. The bureau, therefore, oversubscribed about 75 per cent.

QUARTERLY REPORTS WILL SOON BE DUE.

The attention of secretary-treasurers of national farm loan associations is directed to section 7, paragraph 4, of the Federal farm loan act, which reads as follows:

He should make quarterly report to the Federal Farm Loan Board upon forms to be provided for that purpose. Upon request from said board, said secretary-treasurer shall furnish information regarding the condition of the national farm loan association for which he is acting, and he should carry out all duly authorized orders of said board.

You can readily see from the above that the making of reports is a mandatory duty placed upon all secretary-treasurers of national farm loan associations by the farm loan act, and it is requested by the board that all secretary-treasurers meet promptly the calls for reports. Delinquency in quarterly reports can not be tolerated, for these reports are a requirement of the law.

If after 15 days have elapsed from the end of the quarter the blanks for making the quarterly report have not been received, the secretary-treasurer should notify the Division of Charters and Reports of the Farm Loan Bureau, and another set of papers will be forwarded promptly.

It sometimes happens that there has been a change in the secretary-treasurer which has not been reported, and the report blanks consequently sent to the old officer. To avoid the possibility of being charged delinquent the Division of Charters and Reports should be notified of the nonreceipt of report blanks. Each quarter ends on the following dates: March 31, June 30, September 30, and December 31.

FUNCTIONS OF THE FARM LOAN ACT

To lend money to worthy farmers for purposes specified, at low interest rates, for long periods, on easy payments, and adequate and permanent security.

There are still many farmers and others who entertain erroneous conceptions of the functions of the farm loan act. However, association officers and loan committees are rapidly becoming informed of the methods of the system. This is shown by the fact that the ratio of loans approved to applications received is growing greater all the time; also, more loans are being approved in the full amounts applied for and rejections are fewer.

To assist loan committees and officers of national farm loan associations in their work, the president of one of the Federal land banks offers the following: "In considering the functions of the farm loan act, it is necessary to make a brief analysis.

"A *worthy farmer* is one eligible under the act and the rulings of the board to apply for a loan. He must be a real farmer and a man of good moral character and must show promise of success. He must be one for whom his neighbors are willing to vouch and whose paper the association is willing to guarantee.

"*Specific purposes* are those specified in the act itself (sec. 12, art. 4), to which the proceeds of a loan may be devoted.

"*Low rates of interest* are the rates prescribed by the Farm Loan Board, but which shall not exceed 6 per cent.

"*Long periods and easy payments* refer to the amortization plan upon which all loans must be made, the interest and part of the principal to be paid semi-annually until the end of the term, when the loan will have been entirely paid off.

"Now, if we are willing to offer a worthy farmer a loan on his farm, for a long time, at a low rate of interest, what must he offer in order to make a fair contract? Why, *adequate and permanent security*. This security must qualify as such under the provisions of the act and the rulings of the Farm Loan Board. It must be an *actual farm*, the proceeds from which are sufficient to maintain a family and meet amortization payments. The loan is based upon the agricultural value of the land itself, and on account of the long period for which it is made, no substantial added value can be recognized by reason of its use for orchard or such other purposes—trees or vines may not be permanent; and, again, on account of the long period of the loan, all present or imminent physical hazards, such as poor water supply, probability of floods, need of drainage, etc., must be considered, as the security must not only be adequate at the time the loan is made but it must endure and be maintained for many years.

"If loan committees and boards of directors of national farm loan associations would more fully take all these points into consideration, much unprofit-

able work could be avoided, Federal appraisers would be greatly assisted, and a high percentage of applications would be approved and the loans quickly and satisfactorily consummated.

"If it is perfectly clear that a prospective applicant can not qualify, it is better to frankly tell him so at once, thus preventing disappointment and useless expense."

BOARD MAKES PUBLIC SEMIANNUAL STATEMENT

Three of the twelve Federal Land Banks are ready to begin repayment of stock subscribed by the Government.

In accordance with the provision of the farm loan act requiring that the Farm Loan Board "shall from time to time require examinations and reports of condition of all land banks established under the provisions of this act, and shall publish consolidated statements of the results thereof," the Farm Loan Board makes public the second consolidated statement of the condition of the 12 Federal land banks as of October 31, 1918.

The statement shows that the banks have made loans to farmers to the amount of \$139,378,156. Their capital stock has increased from \$9,000,000 to \$15,975,220. They have issued farm-loan bonds to the amount of \$140,122,200. They hold among their assets United States Government bonds and Treasury certificates to the amount of \$14,850,000. Their excess of expenses and interest charges over earnings is \$211,609.09, which is a reduction of over \$200,000 since the previous semiannual statement, and amounts to less than 1½ per cent of their present capital. Three of the banks show an actual surplus. Before the close of November two banks will begin the repayment of the stock originally subscribed by the Government. The total payments by borrowers overdue on October 31 amounted to \$86,073, of which \$51,117 was less than 30 days overdue, and only \$10,730 was 90 days or more overdue.

Practically all of these payments overdue are in sections that have suffered one or more years from drought and crop failure.

MORE FIGURES ON COST OF A LOAN

Statements that the Federal farm loan system is saving its borrowers money as well as worry sound well, but concrete evidence to that effect makes a deeper impression.

The following report from a mortgage loan company on a farm mortgage loan in Montana tells its own story, and answers the question long since out of date,

IOWA LIKES NEW STYLE MORTGAGE

Black Hawk Association growing rapidly because of cooperative spirit.

Mr. George S. Mornin, secretary-treasurer of a national farm loan association located in the corn-belt region, where there are several strong farm-loan institutions of the old type, is also president of a bank at Cedar Falls, Iowa. Farmers through his association have received \$203,200 in long-time loans, and Mr. Mornin reports that he expects \$250,000 additional in applications by March 1, 1919.

Here is a man in the banking business who was able to foresee the relationship which should exist between farmers and bankers, and is now doing his part to promote mutual helpfulness and good fellowship. He says:

"The Black Hawk County National Farm Loan Association has been organized less than a year. We have taken over \$250,000 of applications, have enlarged our territory, and now are receiving numerous applications from farmers outside of our limits which we can not take care of.

"Every borrower is a booster for the land bank. Every member wants his neighbor to join. There is a cooperative feeling among the borrowing farmers that has never existed before. The work on the part of the Federal land bank has been thorough, prompt, and courteous. Farmers receive their money in a very short time. It is a great advantage to any bank to be associated with the Federal land bank, for in times like the present, when we are passing through a world crisis, we are still able to get money for our farmer customers on long time and at low rates of interest to take care of the maturing loans.

"I wish to take this opportunity of thanking the Federal Land Bank of Omaha for its splendid cooperation and assistance in helping us to close our loans."

as to why such a Federal law was necessary:

Principal of loan	\$1,500
Interest, 1917	150
Interest on that interest	18
Interest, 1918	150
Six months' interest in advance	75
4 per cent for 2 years left	120

\$2,013

This brought the cost to this farmer for the use of \$1,500 for one year and nine months to \$513. Burdens similar to this are being lifted daily from the pocketbooks and minds of the farmers not only in Montana but over other parts of the United States. Hundreds of like cases could be cited.

Stand upright, speak thy thoughts, declare The truth thou hast that all may share; Be bold, proclaim it everywhere; They only live who dare.—Lewis Morris.

A SECTION OF THE ACT EXPLAINED

A Puzzling Paragraph is Made Clear by a Member of the Farm Loan Board.

Any piece of constructive legislation as large and far-reaching as the farm loan act is bound to have statements that will be somewhat obscure to many of us. The sentence or paragraph that is perfectly plain to you may not be so clear to another, and the clause that puzzles you may be obvious to your neighbor. For this reason the following letter to a secretary-treasurer in Arkansas from a member of the Farm Loan Board may be of interest to some of our readers:

DEAR SIR: I have your letter asking us to construe certain sections of the Federal Farm Loan Act.

The section referring to the payment of dividends by the land banks to the associations means exactly what it says. As soon as the Federal Land Bank of St. Louis is in a financial position to pay dividends it will pay them. You, of course, are greatly interested in the financial condition of the Federal Land Bank of St. Louis. Like all the land banks, it started without any surplus and all its expenses of organization and the original expense of doing business were paid out of its capital stock. The business done the first year was very expensive business to do, owing to the fact that the system was not understood by farmers or others. The bank is now, however, on a thoroughly economical basis, in the hands of practical men who are working very hard to get rid of the deficit which, of course, resulted from its early operation, and get in position to pay dividends. It is realized that the farm loan associations will be rendered much more prosperous as soon as dividends can be paid.

The Federal Land Bank of St. Louis has now a deficit of about \$37,000. It is reducing this deficit every month. Its deficit for the previous month was \$40,700; so you can see it is reducing at the rate of about \$4,000 per month. It ought to be even with the world about next May, provided that the farm loan associations are active and send in a good volume of new business. It has made loans to the amount of about \$9,500,000, and is adding to this volume of business at the rate of from \$700,000 to \$800,000 a month; so you see it is no small business.

The president of the bank gave up an income of from \$10,000 to \$15,000 a year to take this position, thereby cutting his income in two. He did this for patriotic reasons because he believed that he could serve the public best by becoming president of the St. Louis Land Bank. He left his home in Illinois, where he was thoroughly happy and comfortable, and went to St. Louis, where living conditions are expensive and to him nowhere near as pleasant as at his old home in Illinois.

The treasurer of the bank, Mr. Beavers, was formerly secretary-treasurer of a farm loan association

in your State and understands the farm loan association thoroughly, and is working to economize and do a large volume of work at a small expense for the purpose of putting the bank in position to pay dividends.

The secretary, Mr. Lloyd, was an energetic young country banker, in Missouri, but knew thoroughly the business of farm loans and was asked by this Board to take the position in the bank for the good of the bank.

I believe that your bank is in good condition and will ultimately solve your problem through its earnings.

With reference to section 9, page 11, of the Federal farm loan act, which provides for a commission from each interest payment of one-eighth of 1 per cent semiannually on the unpaid principal of the loan, the right to do this depends upon the permission of the Federal Farm Loan Board. As the law plainly requires that any commissions so retained must be deducted from dividends on your stock in the Federal land bank, their retention merely amounts to a mortgage upon your future dividends, and the Board has not felt that it would be wise to allow this to be done. It has not given permission for this practice to any farm loan association.

We feel that the farm loan association ought, in all cases, to keep out of debt. No doubt you felt that you had good arguments in favor of getting into debt, but wherever this practice has prevailed it has proven to be a mistake.

We hope that you will solve your problem through the extension of your business and the policy of waiting for the bank to get in position to pay you dividends. Some farm loan associations are making active campaigns for new loans and have passed resolutions under which the new member pays a small membership fee of, say, \$5, which the association retains whether the loan is granted or not. Then some associations, in addition to this, charge the borrower an additional sum to cover the cost of handling his loan, amounting to, say, one-half of 1 per cent of his loan, which is not paid unless the loan is granted, and then only paid once. These funds go into the general fund of the association, and out of the money so accumulated any association charges and expenses can be paid.

I would suggest that you make a vigorous campaign for new business, watch the county records for mortgage expirations, communicate with people who are likely to want loans, and get in enough new business to clear off your debts and put yourself in position to pay your regular expenses, so that when the Federal land bank dividends come in they can be paid out to the borrowers as dividends on their association stock. When this time comes, it seems to us that your difficulties will be obviated.

"The greatest thing a human soul ever does in this world is to see some thing and tell what it saw in a plain way."—Ruskin.

BANK DIVIDENDS.

(Continued from page 1.)

Several of the Federal land banks have now reached that stage of development of their business where the payment of dividends will soon be possible. A letter from the president of the Federal land bank of Omaha, which has jurisdiction over loans in Iowa, Nebraska, South Dakota, and Wyoming, reads as follows:

It may interest you to know also that I have just been making some figures on our net earnings. I find that during the six months period, between May 1 and November 1, our net earnings figured on an accrual basis was about \$33,000, or at the rate of \$66,000 per year, which would be nearly 10 per cent on our borrowers' capital in the capital stock of the Federal land bank of Omaha. We can greatly increase our business without materially increasing our expenses, so you can readily see that instead of being an objectionable feature, that part of the law requiring borrowers to take 5 per cent of their loans in capital stock, will be of great benefit to the borrowers and will materially lower their rate of interest.

This is a most hopeful showing, and one which should inspire every borrower in the system to get out and boost for the growth of his association. With proper interest in the system on the part of borrowers the time will soon come when every national farm loan association will receive dividends from the Federal land banks at a rate which will bring an annual return on the stock of the national farm loan associations as high as, and perhaps higher, than the rate of interest paid by the farmer on his loan. When a Federal land bank has placed itself in a position through the accumulation of business to pay a 6 per cent dividend on its stock every farm loan association will receive \$30 from the Federal land bank on account of stock purchased by every borrower who has a loan of \$10,000.

BOOST FOR BUSINESS.

Now is the time for the president and other officers of national farm loan associations to begin preparing their reports for their annual meetings, to be held all over the United States on Tuesday, January 14, 1919. In order to be legal the annual meetings and elections must be held on that date.

Now is also the time for all members to get together and boost for business, for the more you boost the sooner you will begin to get dividends on your stock in your association. The advantages and fruits of cooperation will then begin to be apparent; and after that, in several districts especially, when the fact of dividends begins to trickle through the communities, applications for Federal farm loans will come pouring into the associations as never before.

It is simply the operation of the old adage that what blesses one blesses all. In another word—cooperation.

TWO 5½ PER CENT INTEREST TABLES

The following amortization tables of \$1,000 and \$2,000 loans at 5½ per cent interest in semiannual installments are given to show how Federal farm loans are amortized or "killed off" in 69 payments. By having such a table printed on the back of each borrower's note, he is enabled to know at a glance what his

PRINCIPAL \$1,000.00. RATE 5½ PER CENT. SEMIANNUAL INSTALLMENTS \$32.50. FINAL INSTALLMENT \$32.42

AMORTIZATION TABLE.

Year due.	No.	Interest.	Principal.	Date paid.	Initial.	Balance.
19...	1	\$27.50	\$5.00			\$995.00
19...	2	27.36	5.14			989.86
19...	3	27.22	5.28			984.58
19...	4	27.08	5.42			979.16
19...	5	26.93	5.57			973.50
19...	6	26.77	5.73			967.86
19...	7	26.62	5.88			961.98
19...	8	26.45	6.05			955.93
19...	9	26.29	6.21			949.72
19...	10	26.12	6.38			943.34
19...	11	25.94	6.56			936.78
19...	12	25.76	6.74			930.04
19...	13	25.58	6.92			923.12
19...	14	25.38	7.12			916.00
19...	15	25.19	7.31			908.69
19...	16	24.99	7.51			901.18
19...	17	24.78	7.72			893.46
19...	18	24.57	7.93			885.53
19...	19	24.35	8.15			877.38
19...	20	24.13	8.37			869.01
19...	21	23.90	8.60			860.41
19...	22	23.66	8.84			851.57
19...	23	23.42	9.08			842.49
19...	24	23.17	9.33			833.16
19...	25	22.91	9.59			823.57
19...	26	22.65	9.85			813.72
19...	27	22.37	10.13			803.59
19...	28	22.10	10.40			793.19
19...	29	21.81	10.69			782.50
19...	30	21.52	10.98			771.52
19...	31	21.22	11.28			760.24
19...	32	20.91	11.59			748.65
19...	33	20.59	11.91			736.74
19...	34	20.26	12.24			724.50
19...	35	19.92	12.58			711.92
19...	36	19.58	12.92			699.00
19...	37	19.22	13.28			685.72
19...	38	18.86	13.64			672.08
19...	39	18.48	14.02			658.06
19...	40	18.10	14.40			643.66
19...	41	17.70	14.80			628.86
19...	42	17.29	15.21			613.65
19...	43	16.88	15.62			598.03
19...	44	16.44	16.06			581.97
19...	45	16.01	16.49			565.48
19...	46	15.55	16.95			548.53
19...	47	15.08	17.42			531.11
19...	48	14.61	17.89			513.22
19...	49	14.11	18.39			494.83
19...	50	13.61	18.89			475.94
19...	51	13.09	19.41			456.53
19...	52	12.56	19.91			436.59
19...	53	12.01	20.49			416.10
19...	54	11.44	21.06			395.04
19...	55	10.86	21.64			373.40
19...	56	10.27	22.23			351.17
19...	57	9.66	22.84			328.33
19...	58	9.03	23.47			304.86
19...	59	8.38	24.12			280.74
19...	60	7.72	24.78			255.96
19...	61	7.04	25.46			230.50
19...	62	6.34	26.16			204.34
19...	63	5.62	26.88			177.46
19...	64	4.88	27.62			149.84
19...	65	4.12	28.38			121.46
19...	66	3.34	29.16			92.30
19...	67	2.54	29.95			62.34
19...	68	1.71	30.79			31.55
19...	69	.87	31.55			

MINNESOTA FOREST FIRES.

(Continued from page 1.)

taken from the preamble outlining the purpose of such an organization sets forth the big idea behind this movement:

"It is believed that after immediate relief has been extended and after

next payment should be, thus making his bookkeeping of the matter practically automatic.

It may be seen in a few minutes of figuring how the average rate of interest covering the period of 34½ years is reduced to 3½ per cent by the reduction of the principal through amortization.

PRINCIPAL \$2,000.00. RATE 5½ PER CENT. SEMIANNUAL INSTALLMENTS \$65.00. FINAL INSTALLMENT \$64.84

AMORTIZATION TABLE.

Year due.	No.	Interest.	Principal.	Date paid.	Initial.	Balance.
19...	1	\$55.00	\$10.00			\$1,990.00
19...	2	54.73	10.27			1,979.73
19...	3	54.44	10.56			1,969.17
19...	4	54.15	10.85			1,958.32
19...	5	53.86	11.14			1,947.18
19...	6	53.55	11.45			1,935.73
19...	7	53.23	11.77			1,923.96
19...	8	52.91	12.09			1,911.87
19...	9	52.58	12.42			1,899.45
19...	10	52.23	12.77			1,886.68
19...	11	51.88	13.12			1,873.56
19...	12	51.53	13.47			1,860.09
19...	13	51.15	13.85			1,846.24
19...	14	50.77	14.23			1,832.01
19...	15	50.38	14.62			1,817.39
19...	16	49.98	15.02			1,802.37
19...	17	49.56	15.44			1,786.93
19...	18	49.14	15.86			1,771.07
19...	19	48.71	16.29			1,754.78
19...	20	48.26	16.74			1,738.04
19...	21	47.79	17.21			1,720.83
19...	22	47.22	17.68			1,703.15
19...	23	46.64	18.16			1,684.99
19...	24	46.34	18.66			1,666.33
19...	25	45.82	19.18			1,647.15
19...	26	45.30	19.70			1,627.45
19...	27	44.76	20.24			1,607.21
19...	28	44.19	20.81			1,586.40
19...	29	43.63	21.37			1,565.03
19...	30	43.04	21.96			1,543.07
19...	31	42.43	22.57			1,520.50
19...	32	41.81	23.19			1,497.31
19...	33	41.18	23.82			1,473.49
19...	34	40.52	24.48			1,449.01
19...	35	39.85	25.15			1,423.36
19...	36	39.15	25.85			1,398.01
19...	37	38.45	26.55			1,371.46
19...	38	37.71	27.29			1,344.17
19...	39	36.97	28.03			1,316.14
19...	40	36.19	28.81			1,287.33
19...	41	35.40	29.60			1,257.73
19...	42	34.59	30.41			1,227.32
19...	43	33.75	31.25			1,196.07
19...	44	32.99	32.11			1,163.96
19...	45	32.01	32.99			1,130.97
19...	46	31.10	33.90			1,097.07
19...	47	30.17	34.83			1,062.24
19...	48	29.22	35.78			1,026.46
19...	49	28.22	36.78			989.63
19...	50	27.22	37.78			951.90
19...	51	26.18	38.82			913.08
19...	52	25.11	39.89			873.19
19...	53	24.01	40.99			832.20
19...	54	22.88	42.12			790.08
19...	55	21.73	43.27			746.84
19...	56	20.54	44.46			702.35
19...	57	19.31	45.69			656.66
19...	58	18.06	46.94			609.72
19...	59	16.77	48.23			561.49
19...	60	15.44	49.56			511.93
19...	61	14.08	50.92			461.01
19...	62	12.67	52.33			408.63
19...	63	11.24	53.76			354.92
19...	64	9.76	55.24			299.63
19...	65	8.24	56.76			242.92
19...	66	6.68	58.32			184.60
19...	67	5.08	59.92			124.63
19...	68	3.43	61.57			63.11
19...	69	1.73	63.11			

present mortgages have been readjusted and perhaps increased, the want of many or just such a loan as here contemplated will be keenly felt, and that the home-building trust will perform a real service to the people of the State.

"It is hoped that the activities of the trust will not only extend to the recent fire sufferers and those from the cyclone at Tyler, but that the organization will

PULLING TOGETHER HELPS EVERYBODY

The real friends of the farmers should show them that the ultimate success of the Federal farm loan system rests largely on the manner in which they will use it; that they can secure a continuance of low-interest rates and easy payments only by meeting the payments provided for as they come due, and that confidence and credit are based on promptness, accuracy, fair dealing, and reasonable business attention to necessary duties.

It is a matter of pride and satisfaction that even in these lean seasons of short crops in places, no crops at all in other places in several of the land bank districts, the farmers generally have appreciated their responsibility and have, with few exceptions, taken pride and satisfaction in meeting their amortization payments to the Federal land banks. If there should be any who can do so but do not, they will be forced to. The Federal farm loan system used aright will afford the farmers of the entire country means to become financially stronger; so that those men who in the past gave all their profits to meet interest and taxes may be enabled to secure for themselves and for their families a substantial portion of the fruits of their own labor.

develop into a permanent company, making loans of this character not only to those who have suffered from sudden catastrophe, but to the thrifty and industrious home builder of every class. In this way entirely new farms could be financed and workmen near large manufacturing centers could secure comfortable homes and bring up their families in pleasant environments and pure air and all this without humiliating them by any offer of charity."

A considerable acreage of these northern Minnesota farms consists of brush land that is used for pasture purposes. To land of this nature the fire was a distinct benefit, burning brush and logs and making the ground ready for the seeding of clover or final clearing. In many instances the benefit to these brush lands due to clearing by fire amounted to from \$10 to \$30 an acre. In fact a number of the farmers have recently reported to the Federal land bank that the fire was of real value to their land and offset the loss of live stock and buildings not covered by insurance.

The Federal land bank in many instances will be able to loan a sum in addition to the original mortgage so that these farmers can rebuild better and more permanent buildings than they had heretofore, and thus render a service to these new farmers who are entitled to every consideration that the State and Nation can give. The firm resolve to rebuild better homes, schools, and churches and the cheerful and hopeful manner in which these people are meeting the problems with which they are confronted is indicative of the spirit of the true pioneer farmer.

Buy a Farm Loan Bond.

ADVENTURES IN FARM MORTGAGE LOANS GUIDED BY UNCLE SAM

Being observations, experiences, remarks, and stories of some who have entered into the Eldorado of low interest and amortized farm mortgages.

"I got up early Saturday to get the early Alendale train. I made my first mistake right there. Then as the Oxford place had no directions on it, whether north, south, east, or west, or downwards, I thought I would go there first—my second mistake. My third one was in waiting where I was told to by a policeman, in Alendale, for the Oxford car. The route had been changed, and I lost an hour and a half of time and my temper.

"My fourth mistake was in engaging an auto by telephone. I drew a female chauffeur, also a chance to put on two busted tires for her on the road, while my sweat ran over my shoes and made mud pies where I knelt. I sure will always remember that ride.

"I made my fifth mistake when I tried to find Hazel Putnam's to appraise. My lady friend said she knew everybody and every road, but she did not know several. I got out and inquired just 10 times, and by so doing found seven Putnams, but not Hazel. Finally, by sheer accident, I did find her, and her very next door neighbor did not know her name either. I was just running down every known Putnam whether descended from Rufus or Israel.

"Here I made my sixth mistake. We had spent so much time chasing Putnams up I dismissed my gentle chauffeur with my blessing and some five perfectly good dollars, as Hazel said she was only 1½ miles from the depot, and I had rather walk than ride further and risk another tire blow-out. (I saw one coming.) I got through, and started for the depot afoot at 5:21; the last train before Sunday p. m. left the depot at 5:41. I knew I could do it, but that was my seventh mistake, and the worst one.

"I cut across lots somewhere. So did a big bull. I reached the wall first by a foot or two, but did not stop to look over it. Just rolled over, which my peculiar model of architecture makes easy. Wish to heaven I had argued with that bull, but I did not. The other side of the wall was not there; instead there were 15 feet of gently inclining rock and gravel, and the railway roadbed at the bottom. I knew it was at the bottom because my left shoulder pushed a section of rail to the north. The doctor said this afternoon he did not consider it serious, but the bell hop at the hotel who had to help me to dress may have a different idea. Some considerable junk fell out of my left hip, and the two patches of skin off my knees will remind me I ought to have hardened the skin there in another way. My pants got torn, too, but I held on to my pipe. I lost that train.

"I lay it all to my hiring a female chauffeur. Did you people save anything by my trying to be careful? Not on your tinfole. I lost my train, so had to stay over in Alendale at a dollar, and a breakfast as well. I am not sure that I shall charge my torn pants up also, and would think over my dislocated shoulder and lost pieces of hide, if I was not afraid you would plead contributory negligence on my part in hiring that female."

A live secretary writes as follows:

Of the several members of our association I do not know of one who has not received real benefits from the system. If the financial saving in interest has failed to appeal to them, then the easy, long-term plan has. Practically every farmer, in preparing his statement for the appraiser, has been taught a lesson the farm bureau manager was unable to get home—namely, the real value of keeping records of production. As a result our members are manifesting the spirit of the times—the farmer back of a roll-top desk, who also has his sleeves rolled up.

The truth of the matter is that millions do not really appreciate what the system offers to farmers of America. It is the duty of each secretary-treasurer to take the message to his farmers, for has he not been selected for this task? His directors may have thought they were electing a person for the mechanical purpose of keeping books, writing letters, answering questions. But the secretary-treasurer has a far wider and more glorious duty to perform—to be sure that the last farmer of his territory is advised of the objects and benefits of the system, and to appoint himself a committee of one to see that such farmers as may receive benefits from the system are invited to participate in its benefits.

This has been the spirit of the Ashville National Farm Loan Association. Not only do the active member and officers invite their neighbors and friends to place applications through the organization, but a system of publicity has been carried on which has carried the message to every corner of the territory. We have displayed posters in every grange hall, post office, and public place, inviting farmers to "come in."

The newspapers of the territory are used to reach the men who pay little attention to posters. Items are sent in whenever there is news about the association. This has attracted the attention of a large number of farmers. After one year's steady newspaper drive, we find we are now writing the applications of men who are just beginning to realize that the farm loan act is intended to help finance farmers.

But the best advertiser, as in other lines, "is the satisfied customer." The man who is satisfied with the system is the man who tells his neighbors. In one section we have five members, four of whom came in after the first was satisfied and advised his neighbors to come in.

In communities such as ours the operation of the Federal farm loan system is fast changing the desire to leave the farm for city life. Farmers are being provided with adequate financial support, not alone to carry their present debts, but to secure that additional sum so essential in bringing their farm operations up to the "worth-while" stage—carrying more stock, buying improved machinery, liming the land, rebuilding house and barn—nearly a hundred different advancements, determining the difference between "hanging on with profit," or "letting loose with loss."

I once heard of a secretary-treasurer who said that he could not see his way clear to go out and hustle for farm-loan business. I can not appreciate how any official can take this attitude when the need is so great, the system offering so many latent possibilities for the men in need of aid and support, and when the era of the new agricultural industry is looming on the horizon. I should think all secretary-treasurers would covet the opportunity of aiding as many farmers as possible in their territory to enjoy this new and helpful financial system.

(Signed) EARLE W. GAGE,
Secretary-Treasurer, Ashville
N. F. L. A., Ashville, N. Y.

FEDERAL LAND BANK OF BERKELEY,
"Berkeley, Cal."

"GENTLEMEN: Please send me some more applications for loan blanks post haste, as I am out and the demand for applications is increasing. The better and more successful farmers are beginning to realize that the men in charge of the association's affairs and the men in charge of the Federal bank are in reality working for the best interests of the farmer; that in order to be *safe* in business, we must be somewhat conservative.

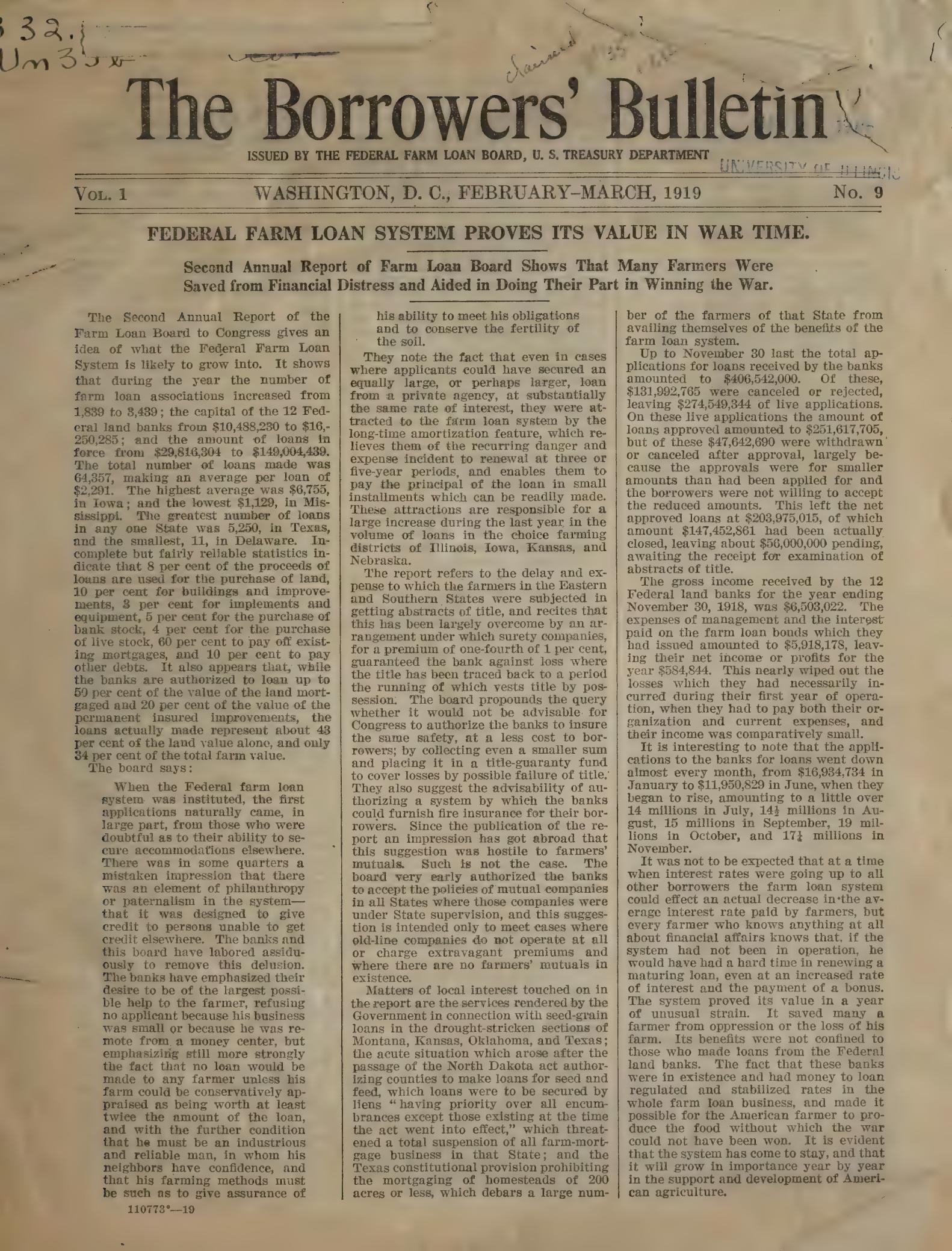
"One man, whose application has been reduced, told me that as he reflected on the methods employed by the association and the bank in making loans and the care they exercised in examining the property and the titles, he concluded that it was a pretty safe institution to be interested in and from which to borrow money; therefore, he made a special effort to get the balance of the money he needed to clear his property and get it with us, and he is now closing his loan with us.

"Hurry up some blanks, please.
"Very respectfully,
(Signed) C. W. BENSHOOF."

Mr. Benshoof is secretary-treasurer of the Rubidoux National Farm Loan Association, and of the Jurupa National Farm Loan Association.

You invite in your circular letter any opinion I may have as to the status of the farm-loan business. I am convinced that the Federal farm loan manner of handling farm loans is of great advantage to the active farmer and has freed him from a bunch of cormorants who have bled him at every turn. No more will the agricultural borrower have to go through the performance of taking off his hat when he steps on the sidewalk, and getting on his knees when he arrives at the broker's or banker's desk, and after making his wants known see the deskholder, tapping the desk with his pencil and looking at the ceiling or passing crowd outside, say that "money is very tight now," and all the time sizing him up and calculating how much he can stick him on a commission, when in all probability the broker is already getting a commission from the lender. All that is past if the borrower is a going proposition.

(Signed) JOHN P. STONE,
Sec.-Treas. Dexter N. F. L. A.



The Borrowers' Bulletin

ISSUED BY THE FEDERAL FARM LOAN BOARD, U. S. TREASURY DEPARTMENT

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No. 9

FEDERAL FARM LOAN SYSTEM PROVES ITS VALUE IN WAR TIME.

Second Annual Report of Farm Loan Board Shows That Many Farmers Were Saved from Financial Distress and Aided in Doing Their Part in Winning the War.

The Second Annual Report of the Farm Loan Board to Congress gives an idea of what the Federal Farm Loan System is likely to grow into. It shows that during the year the number of farm loan associations increased from 1,839 to 3,439; the capital of the 12 Federal land banks from \$10,488,230 to \$16,250,285; and the amount of loans in force from \$29,816,394 to \$149,004,439. The total number of loans made was 64,357, making an average per loan of \$2,291. The highest average was \$6,755, in Iowa; and the lowest \$1,129, in Mississippi. The greatest number of loans in any one State was 5,250, in Texas, and the smallest, 11, in Delaware. Incomplete but fairly reliable statistics indicate that 8 per cent of the proceeds of loans are used for the purchase of land, 10 per cent for buildings and improvements, 3 per cent for implements and equipment, 5 per cent for the purchase of bank stock, 4 per cent for the purchase of live stock, 60 per cent to pay off existing mortgages, and 10 per cent to pay other debts. It also appears that, while the banks are authorized to loan up to 59 per cent of the value of the land mortgaged and 20 per cent of the value of the permanent insured improvements, the loans actually made represent about 43 per cent of the land value alone, and only 34 per cent of the total farm value.

The board says:

When the Federal farm loan system was constituted, the first applications naturally came, in large part, from those who were doubtful as to their ability to secure accommodations elsewhere. There was in some quarters a mistaken impression that there was an element of philanthropy or paternalism in the system—that it was designed to give credit to persons unable to get credit elsewhere. The banks and this board have labored assiduously to remove this delusion. The banks have emphasized their desire to be of the largest possible help to the farmer, refusing no applicant because his business was small or because he was remote from a money center, but emphasizing still more strongly the fact that no loan would be made to any farmer unless his farm could be conservatively appraised as being worth at least twice the amount of the loan, and with the further condition that he must be an industrious and reliable man, in whom his neighbors have confidence, and that his farming methods must be such as to give assurance of

his ability to meet his obligations and to conserve the fertility of the soil.

They note the fact that even in cases where applicants could have secured an equally large, or perhaps larger, loan from a private agency, at substantially the same rate of interest, they were attracted to the farm loan system by the long-time amortization feature, which relieves them of the recurring danger and expense incident to renewal at three or five-year periods, and enables them to pay the principal of the loan in small installments which can be readily made. These attractions are responsible for a large increase during the last year in the volume of loans in the choice farming districts of Illinois, Iowa, Kansas, and Nebraska.

The report refers to the delay and expense to which the farmers in the Eastern and Southern States were subjected in getting abstracts of title, and recites that this has been largely overcome by an arrangement under which surety companies, for a premium of one-fourth of 1 per cent, guaranteed the bank against loss where the title has been traced back to a period the running of which vests title by possession. The board propounds the query whether it would not be advisable for Congress to authorize the banks to insure the same safety, at a less cost to borrowers, by collecting even a smaller sum and placing it in a title-guaranty fund to cover losses by possible failure of title. They also suggest the advisability of authorizing a system by which the banks could furnish fire insurance for their borrowers. Since the publication of the report an impression has got abroad that this suggestion was hostile to farmers' mutuals. Such is not the case. The board very early authorized the banks to accept the policies of mutual companies in all States where those companies were under State supervision, and this suggestion is intended only to meet cases where old-line companies do not operate at all or charge extravagant premiums and where there are no farmers' mutuals in existence.

Matters of local interest touched on in the report are the services rendered by the Government in connection with seed-grain loans in the drought-stricken sections of Montana, Kansas, Oklahoma, and Texas; the acute situation which arose after the passage of the North Dakota act authorizing counties to make loans for seed and feed, which loans were to be secured by liens "having priority over all encumbrances except those existing at the time the act went into effect," which threatened a total suspension of all farm-mortgage business in that State; and the Texas constitutional provision prohibiting the mortgaging of homesteads of 200 acres or less, which debars a large num-

ber of the farmers of that State from availing themselves of the benefits of the farm loan system.

Up to November 30 last the total applications for loans received by the banks amounted to \$406,542,000. Of these, \$131,992,765 were canceled or rejected, leaving \$274,549,344 of live applications. On these live applications the amount of loans approved amounted to \$251,617,705, but of these \$47,642,690 were withdrawn or canceled after approval, largely because the approvals were for smaller amounts than had been applied for and the borrowers were not willing to accept the reduced amounts. This left the net approved loans at \$203,975,015, of which amount \$147,452,861 had been actually closed, leaving about \$56,000,000 pending, awaiting the receipt for examination of abstracts of title.

The gross income received by the 12 Federal land banks for the year ending November 30, 1918, was \$6,503,022. The expenses of management and the interest paid on the farm loan bonds which they had issued amounted to \$5,918,178, leaving their net income or profits for the year \$584,844. This nearly wiped out the losses which they had necessarily incurred during their first year of operation, when they had to pay both their organization and current expenses, and their income was comparatively small.

It is interesting to note that the applications to the banks for loans went down almost every month, from \$16,934,734 in January to \$11,950,829 in June, when they began to rise, amounting to a little over 14 millions in July, 14½ millions in August, 15 millions in September, 19 millions in October, and 17½ millions in November.

It was not to be expected that at a time when interest rates were going up to all other borrowers the farm loan system could effect an actual decrease in the average interest rate paid by farmers, but every farmer who knows anything at all about financial affairs knows that, if the system had not been in operation, he would have had a hard time in renewing a maturing loan, even at an increased rate of interest and the payment of a bonus. The system proved its value in a year of unusual strain. It saved many a farmer from oppression or the loss of his farm. Its benefits were not confined to those who made loans from the Federal land banks. The fact that these banks were in existence and had money to loan regulated and stabilized rates in the whole farm loan business, and made it possible for the American farmer to produce the food without which the war could not have been won. It is evident that the system has come to stay, and that it will grow in importance year by year in the support and development of American agriculture.

CREDIT IS A REAL FACTOR IN RURAL PROGRESS.

Being a borrower on mortgage security implies honesty, ability to make good, and a standing in the credit world.

The secretary-treasurer of a New England national farm loan association sends us the following letter:

A copy of your wonderful little pamphlet, the *BORROWERS' BULLETIN*, came to hand recently, the first copy I have ever seen. I showed it to members of the association and none of them had seen a copy before.

If this is published for general distribution, may I ask that copies be sent regularly to the members of the Cumberland Association?

While I am about it, I might as well wield the hammer. The name, "BORROWERS' BULLETIN," while an excellent piece of alliteration, has a sting. "Borrower" is synonymous with "beggar." Our farmers are the most independent, as well as the most independent-minded class in the world. It is regarded as a disgrace for a farmer to put a mortgage on his farm, and the most uphill fight, in the case of poorly developed farms, is to educate the farmer to see that the money he gets from the land bank is a use of his credit for investment purposes.

Almost every merchant in the United States is a borrower. All the great industrial corporations are heavy borrowers, the great packing concerns borrow money almost all over the United States of anybody who has it to loan. They have established their businesses and continue to run them on borrowed money. The proper use of credit is recognized among good business men everywhere as one of the means through which good business men succeed.

This secretary-treasurer can not possibly be in earnest when he says "Borrower is synonymous with beggar." The beggar gets something for nothing; the borrower gets something and pays for it. What he gets is money. He is no more a beggar when he borrows money than he is when he hires a man and pays him wages, or hires a thrashing machine and pays for its use, or hires a tractor and pays a consideration for its services.

Farmers everywhere are independent-minded people, but there are errors of independence as well as virtues. The business man in other lines who is able to borrow money on favorable terms and use it profitably is always proud of his ability in that direction. The proper use of credit is often discussed in gatherings of business men in other lines. Farmers ought to copy other business men in this respect. No farmer ought to borrow money unless he can do so to advantage. If he is paying a high rate of interest and can get a low rate he is foolish not to do so. If he can get long time and the amortization privilege in place of frequent renewals and conditions which sub-

ject him to foreclosure in times of misfortune he is foolish not to do so.

In almost every part of the country there are ways in which money can be borrowed and used so as to make more money with it. The whole question of borrowing money ought to be taken out of the region of secrecy and debated and studied openly by farmers everywhere. They ought to forget this notion, in so far as they have it, that "borrower is synonymous with beggar," and the man who can borrow money and use it to his own advantage by the upbuilding of his farm and to the end that life on the farm shall be more agreeable and prosperous ought to regard the operation as creditable, and his neighbors should look at it in the same light. As long as borrowers skulk and hide in their borrowing they are sure to be victimized. The business which is done in the open is the one which gets the best terms. It is not believed that the argument in favor of changing the name of the *BORROWERS' BULLETIN* is a good one.

HOW TO HELP YOUR ASSOCIATION GROW.

Banks and associations work together for new business, bringing mutual benefit to everyone concerned.

The Federal land banks are cooperating with the officers of national farm loan associations to procure a steady flow of business. One bank has had printed for distribution among its secretary-treasurers cards about post-card size on which may be written the names and addresses of farmers whose loans will be maturing in the next few months, with room for additional information as to amount and rate of interest each man has been paying. The data can be taken off the county records and filed away. The card is prepared as follows:

County.
Post office.
Loan of.
Held by.
Matures.
Rate, per cent.
Description of land.

Then about 90 days before the maturity of the farmers' loan the secretary-treasurer sends the following card, which has also been sent him by the bank of his district:

Federal Land Bank of _____
I am interested in the Federal farm loan system.

I expect to need a loan of \$_____ about _____, 191_____, on _____ acres.

Please list my name for further information without obligation on my part.
Name _____

County _____
State _____
P. O. _____

In most of the associations in the 12 bank districts the secretary-treasurers live in or near the county seats, so that the procuring of these data would not be an arduous task. Where it is not convenient for the secretary-treasurer to do this work, doubtless the association could hire it done at a small cost. The returns in new business should make this work and expense a profitable investment.

SELFISHNESS OR ALTRUISM—WHICH?

A 1919 Variety of Selfishness Looks Like the Golden Rule.

The recent meeting in Washington of bankers from all parts of the country, vowed purpose of advancing the interests of the farmers of the country, gives pause for reflection whether or not this is an expression of a fact—that we are advancing to a higher plane in our mutual intercourse and relations.

The old idea of placing bankers and banking as a class inimical to the interests of all others, with the desire only to exact the last farthing of profit, must be relegated to the past if we are to believe that this meeting, and many other evidences daily accumulating before our eyes, that men are beginning to see with a clearer vision that the old standard of, "Every man for himself and the devil take the hindmost," is not the rule of action best conducive to the general welfare. Though the economists state the rule in different language, to wit, "Self-interest is the mainspring of human action," the every-day expression quoted above, though not so elegant, brings home to the ordinary individual with greater force the usual construction of the economic rule.

Among these evidences we find the farm loan act, which in itself emphasizes a departure from this old construction of the rule. Here we have in the Federal land banks an organization in the interest of the borrower, for the express purpose of securing for him (not the lender) the use of capital on long time and the lowest possible rate of interest.

Again, a hundred million people unite for a common purpose, and four million men take up arms and cross the sea to help the other fellow maintain an ideal; and, further, all the nations of the earth send representatives to a world conference in which the avowed purpose is advancing the welfare of the strong by protecting the rights of the weak.

What does it mean? Has the economic law that self-interest is the mainspring of human action lost its old-time power? We would fain believe that it has, that it always was a serious, if not tragic, world mistake, and that we have risen to a higher plane in the organization of society; that the welfare and happiness of the individual is best conserved and advanced by each contributing to the welfare of the other in considering the welfare of the whole, and that the same principle applies to nations as to individuals. In other words, it is enlightened selfishness—the kind that blesses all instead of a more or less favored few.

A chaplain in the House of Representatives during the Sixty-fifth Congress used this language in a prayer: "The one sin in the world is selfishness; the one virtue is love. In these two rest all the theology and philosophy of the ages."

Is it true? Let us think about it.

THE GREATEST HELP FOR THE GREATEST NUMBER OF FARMERS

That describes the intent of the Federal farm loan act, hence agencies as well as associations.

Two paragraphs of the Farm Loan Act read as follows:

SEC. 15. That whenever, after this act shall have been in effect one year, it shall appear to the Federal Farm Loan Board that national farm loan associations have not been formed, and are not likely to be formed, in any locality, because of peculiar local conditions, said board may, in its discretion, authorize Federal land banks to make loans on farm lands through agents approved by said board.

Such loans shall be subject to the same conditions and restrictions as if the same were made through national farm loan associations, and each borrower shall contribute 5 per cent of the amount of his loan to the capital of the Federal land bank, and shall become the owner of as much capital stock of the land bank as such contribution shall warrant.

Thus far but few of these agencies have been established. This fact of itself speaks highly for the associations and the cooperation features they stand for. There are now 3,600 national farm loan associations scattered over our 3,003 counties in the United States.

So desirous were the framers of this act that its benefits should be as far reaching as possible, that this provision was included, so that no worthy person should be excluded because of peculiar local conditions or other factors beyond his control.

To show that these agencies provided for by the act are proving useful where needed, we publish herewith a circular letter recently received by the board, which tells its own story. You will note that the interest rate quoted is 6 per cent, the limit under the law. The present interest rate to the farmer who borrows through an association is 5½ per cent. So, while the privilege of being able to get a Federal farm loan through an agent has been of immense benefit to 50 farmers in one district to the amount of nearly a quarter of a million dollars, the farmer who can borrow through an association gets his loan for 5½ per cent, with the added benefits of cooperation.

The circular letter mentioned herein follows:

DEAR SIR: We have been agents of and negotiating loans for the Federal Land Bank of St. Paul a little more than one year. During that time exactly 50 farmers have availed themselves of the opportunities offered, placing loans totaling \$248,900, almost a quarter of a million dollars.

This BULLETIN is issued for free distribution to all borrowers or prospective borrowers under the Federal farm loan act. It contains some observations based upon the early experiences of the Federal land banks which may be helpful to those who borrow later. It is intended to impress upon the borrower the necessity for uniformity and promptness of action, and suggests ways to eliminate needless delays in the making of loans. Additional copies may be had by addressing the Federal Farm Loan Bureau, Treasury Department, Washington, D. C.

This enormous amount of money has been received from a new and heretofore unavailable source, and has been paid to farmers residing in a territory of about eight townships.

By making these loans from the Federal land bank instead of through the usual channels, these 50 farmers have saved in one year, from the difference in the rate of interest, the sum of \$3,197.50.

In five years, the usual term of farm loans, these same farmers will have saved in interest alone the large sum of \$15,987.50, or approximately \$300 each.

Under the rules of the Federal land bank each borrower is required to pay 1 per cent per annum toward the reduction of the principal of his loan. During the next five years this 1 per cent will have reduced the indebtedness of these 50 farmers \$14,936, and at the same time they have paid out no more than they would have paid in interest if their loans had been made outside of the bank.

Ten of these farmers have used the money received from the Federal land bank in retiring an indebtedness aggregating \$32,725, on which they were paying 8 per cent interest.

Nine of them have retired an indebtedness of \$21,260, on which they were paying 10 per cent interest.

Thus on these two items alone these 19 farmers have saved in one year, in interest, the sum of \$1,505.90.

Four of the borrowers have been able to purchase additional lands, which they could not have otherwise done, for the reason that they could not have borrowed sufficient funds elsewhere.

The above is what the Federal land bank has done and is doing for the farmers in our district. It will do the same for you if you will avail yourself of its services.

Remember: The interest rate is only 6 per cent. The loan may be paid in full or in part any time after five years, or may run for 35 years.

If in need of a loan or you contemplate purchasing a tract of land within the next six months, let us have an opportunity of fully explaining the many excellent features of this loaning system. We will be glad to call on you at any time.

QUESTIONS FROM LOAN COMMITTEES.

Is a farm ever worth more than it sells for, and how much should ability and character count on a loan?

The Federal land bank appraisers have very truly been called "the eyes of the Federal Farm Loan Board." Upon them rest a very important duty and responsibility in the operation and promotion of one part of the farm loan act.

Broadly speaking, these appraisers for the most part appreciate the fact that they are performing an important part in one line of agricultural progress. Farmers, loan committees, and the appraisers are discussing questions of mutual concern, all of which make for better understanding and harmony.

Our appraisers in almost every community are being asked practically the same questions every day by members of loan committees and farmers. Some which have been the most frequent are given herewith. They have come from all parts of the country, and are being encountered in every Federal land bank district. Because of their general interest and importance, replies are also given herewith. These replies are not all in the exact language of the appraisers, but are in substance their rules of action:

Question. Do you consider the character and ability of the applicant in arriving at the value of the farm and in recommending a loan?

Answer. You have asked two questions which must be answered separately. First, I do not consider the character and ability of the applicant in arriving at the value of the farm; and, second, I do consider the character and ability of the applicant in recommending a loan. In arriving at the value of the farm I study the farm and not the applicant. If the man is shiftless, his farm will show it. I place its value below the average about as much as it would cost to bring it up to the average. If the man is an extra good farmer, his farm will show it. I place its value above the average about as much as it would cost under ordinary circumstances to bring it up from the average to such good state of cultivation. Suppose the shiftless farmer sold his farm to a good farmer. The farm is the same, except that the good farmer has added something to it in money, labor, and brains. I calculate the value of what he has added increasing the farm value, under ordinary conditions, by that amount. In recommending a loan I consider the character and ability of the applicant. If he is low in character and ability, I may reject the loan entirely. The association may be better off without him. If it does not seem necessary to reject it, I will recommend a loan which is conservative proportionately to his lack of character and ability. If he is high in character and ability, I will recommend a liberal loan or the maximum under the law. The character and ability of the man, therefore, determines my recommendation as to whether it shall be conservative or liberal.

(Continued on page 6.)

THE BORROWERS' BULLETIN.

FARM LOAN DIRECTORY.

A column of boiled-down information about the Farm Loan System, its organization and personnel.

Location: Treasury Department, Washington, D. C.
Members of board: CARTER GLASS, Secretary of the Treasury and chairman ex officio; GEORGE W. NORRIS, farm loan commissioner; HERBERT QUICK, W. S. A. SMITH, and CHARLES E. LOBDELL.
Secretary: W. W. Flannagan.

THE FEDERAL LAND BANKS.

District No. 1.—Springfield, Mass., serving the States of Maine, Massachusetts, Vermont, New Hampshire, Rhode Island, Connecticut, New Jersey, and New York.
District No. 2.—Baltimore, Md., serving the States of Pennsylvania, West Virginia, Maryland, Delaware, Virginia, and District of Columbia.
District No. 3.—Columbia, S. C., serving the States of North Carolina, South Carolina, Georgia, and Florida.
District No. 4.—Louisville, Ky., serving the States of Indiana, Ohio, Kentucky, and Tennessee.
District No. 5.—New Orleans, La., serving the States of Louisiana, Mississippi, and Alabama.
District No. 6.—St. Louis, Mo., serving the States of Illinois, Missouri, and Arkansas.
District No. 7.—St. Paul, Minn., serving the States of North Dakota, Minnesota, Wisconsin, and Michigan.
District No. 8.—Omaha, Nebr., serving the States of Wyoming, Nebraska, South Dakota, and Iowa.
District No. 9.—Wichita, Kans., serving the States of New Mexico, Kansas, Colorado, and Oklahoma.
District No. 10.—Houston, Tex., serving the State of Texas.
District No. 11.—Berkeley, Calif., serving the States of California, Nevada, Utah, and Arizona.
District No. 12.—Spokane, Wash., serving the States of Idaho, Washington, Montana, and Oregon.

These banks are engaged in lending money to farmers on first mortgages on farm lands at a rate of 5½ per cent. The mortgages are repayable on the amortization or installment plan through periods ranging from 5 to 40 years. Loans may be made up to 50 per cent of the appraised value of the land plus 20 per cent of the value of the permanent insured improvements for approved agricultural purposes.

A farmer desiring to become a borrower should address a letter of inquiry to the Federal land bank of his district asking for the name of the farm loan association nearest him, or for papers to enable him to organize an association if none has been organized in his community.

Again it seems necessary to remind those who write to the Farm Loan Bureau at Washington to sign their names to their correspondence. For instance, a typewritten communication was received lately without a name, address, or date. It was on a memorandum sheet containing the name of a well-known insurance company which has offices all over the United States, so nothing could be done but to hope that it would not happen again. Other instances could also be cited. Please sign your correspondence, and do not forget the address. The bureau wants to be courteous and answer its mail.

Do not be troubled because you have not great virtues. God made a million spears of grass when he made one tree.—Becker.

\$11,310,920 PAID OUT TO FARMERS ON MORTGAGE LOANS IN JANUARY BY FEDERAL LAND BANKS—\$9,567,890 IN DECEMBER.

During the month of January, 1919, \$11,310,920 were loaned to 3,880 farmers of the United States by the Federal land banks on long-time first mortgages, according to the monthly statement of the Farm Loan Board. The Federal Land Bank of Houston leads in amount of loans closed, \$2,220,770, with the Federal Land Bank of St. Paul running slightly behind in amount, \$1,586,500. The other banks closed loans in January as follows: Spokane, \$1,393,640; Omaha, \$1,026,500; St. Louis, \$1,000,920; Louisville, \$753,000; New Orleans, \$718,500; Wichita, \$686,600; Springfield, \$544,250; Columbia, \$533,240; Berkeley, \$439,600; and Baltimore, \$407,400.

On February 1 the total amount of mortgage loans closed since the establishment of the Federal land banks was \$168,213,931, numbering 71,204 borrowers. During January 5,678 applications were received asking for \$22,008,095. During the same period 5,138 loans were approved, amounting to \$16,181,553. Alto-

gether 173,644 have applied for loans under this system, aggregating \$447,729,569.

The grand total of loans closed is distributed by Federal land bank districts as follows:

Spokane	\$25,912,555	St. Louis	\$11,830,410
St. Paul	24,141,900	Louisville	10,884,000
Omaha	17,922,140	Berkeley	10,013,200
Houston	17,394,276	Columbia	8,321,090
Wichita	16,981,800	Baltimore	6,531,850
New Orleans	12,975,415	Springfield	6,225,295

During December \$9,567,890 were loaned to 3,525 farmers, distributed as follows: Houston, \$1,634,085; Spokane, \$1,627,915; St. Paul, \$1,550,000; St. Louis, \$851,790; Omaha, \$723,900; New Orleans, \$712,656; Louisville, \$647,700; Wichita, \$629,400; Berkeley, \$565,000; Columbia, \$442,300; and Baltimore, \$380,400. In the same month 5,672 applications were received, asking for \$19,199,613, and during the same period 4,251 loans were approved, amounting to \$15,914,778.

COOPERATION FRUITS NOW APPEARING.

Borrowers in National Farm Loan Associations of eighth district to receive dividends as stockholders, thus reducing net rate of interest on loans.

The Federal Land Bank of Omaha has called the special attention of its borrowers to the fact that their present interest rate will be substantially reduced by dividends on their stock in the associations of which they are members. Announcement was made some time ago by the bank that its earnings for the past several months average an annual income of about 10 per cent on all stock owned by national farm loan associations. After the required reserve is set aside and expenses paid it will be possible to create a liberal surplus for any emergency which may arise and still return to all borrowers dividends upon their 5 per cent of stock at least equivalent to the interest rate which they are paying on the same amount of their mortgages.

The cooperating, profit-sharing feature of the farm loan act is already beginning to justify its existence and gives substantial promise of materially reducing the net rate of interest paid by the borrower.

This bank also announced that it has greatly increased the efficiency of its departments, so that it can now handle three or four times the volume of business which was possible a year ago without materially increasing overhead expense. With the large increase of business which is now coming into the bank, its profits and consequent distribution of profits to borrowers will probably be increased materially. Borrowers throughout the eighth district are enthusiastically cooperating in bringing the choicest class of new business to the bank.

HOW LARGE IS YOUR MORTGAGE?

It is getting killed off by shrinking in size all the time under the Federal farm loan system.

A word of warning to borrowers. If you sell your farm subject to a Federal farm loan mortgage, don't forget that the mortgage is not as large as it looks.

A farmer in North Dakota, who had a \$4,000 loan on which he had made three semiannual payments, sold his farm. He sold it subject to a \$4,000 loan. He forgot that in making these three semiannual payments he had reduced it to \$3,940. In other words, he beat himself out of \$60 in the transaction. Always bear in mind in selling your farm that if you have made even a single payment the mortgage is less than when you began. Your Federal land bank will always make a statement to you as to how much is due on your mortgage if you can not figure it yourself.

The advantage of a Federal farm loan mortgage is that year by year it grows "smaller by degrees and beautifully less." That is the advantage of amortization. It gradually kills off the mortgage. The mortgage year by year fades away. It never comes due, or, rather, it is always failing due in small amounts every six months and is always in part paid off.

Do not short-change yourself by forgetting this fact when you sell or trade.

Remember that March 31 was the date for filling out your quarterly reports. Blanks for the purpose have been sent the secretary-treasurers in ample time so that there need be no delay in filling them out and sending them in to the Division of Charters and Reports. And, please do not forget to place your name and address on your communications.

HOW TO USE AN AMORTIZATION TABLE.

The table below can be made the foundation to use on any amount desired.

It has been stated that under the amortization plan of payment mortgages never come due, because they are paid off in such small amounts that the payment of the principal is no burden; but we want to emphasize the working of this plan, so that the borrower will always appreciate that from the day he pays his first installment he no longer owes what he originally borrowed, as would be the case under the old method of making farm mortgages.

We also want to make this method of paying off mortgages so plain that any borrower can always tell for himself at every installment period the amount of his installment which should be applied to the payment of the principal of his debt, the amount applicable to the payment of interest, and the unpaid balance of his loan.

Below is a table showing that a debt of \$1,000 bearing 5½ per cent interest requires 69 semiannual payment of \$32.50 each (34½ years) to be paid off, both principal and interest. The table shows that at the time of each semiannual payment what amount thereof is to be applied to interest, what amount is to be applied to principal, and the balance of the principal remaining unpaid. While this table is prepared for \$1,000, it can be made applicable for any amount by a simple multiplication.

To illustrate: Suppose, for instance, that a farmer wants a loan of \$600, and would like to know the amount he would have to pay semiannually and what balance he will owe at the end of 10 years. Turning to the table he finds the installment for a loan of \$1,000 to be \$32.50; so by proportion he has \$1,000 : \$32.50 :: \$600 : \$19.50, the amount to be paid semiannually. In the same way he finds in the table opposite the twentieth payment (10 years) the amount of "principal unpaid," \$869.02. Then this proportion will give him the amount sought, to wit, \$521.41, as follows:

1,000 : \$869.02 :: 600 : \$521.41, the answer.

Therefore, to use the table for obtaining the information as to any amount (which the table gives for \$1,000) the following rule may be followed:

Rule: Multiply the figures in any column of the table by the original principal of the amount borrowed, and divide the product by 1,000.

If, for instance, you wish to find what amount of your twentieth installment will be applied to interest, the original loan being \$600. You will find in the table opposite the twentieth payment, under the heading "interest" the figures \$24.13. This multiplied by 600 and divided by 1,000 gives 14.478, say \$14.48 as the amount applied to interest. Or, suppose you wished to find for the same loan the portion of the sixtieth installment (30 years) applicable to the payment of principal. Opposite the sixtieth installment under the column "applied on principal,"

we find the figures \$24.78. These figures multiplied by 600 and divided by 1,000 give 14.868, or say \$14.87 as the amount to be applied on the principal.

Let us take one more instance to illustrate our rule. Say the original loan was \$1,450 and we wish to know what is the balance of the unpaid principal after 65 installments have been made, i. e., in 32½ years. Opposite the payment number 65, under the column "principal still unpaid," we find the figures 121.50. These multiplied by 1,450, and divided by 1,000 give 176.175, say \$176.18 as the balance of the principal unpaid.

This we trust will simplify the matter to all our readers. In our next issue we purpose to explain "How to make an amortization table."

A loan of \$1,000 at 5½ per cent interest repayable in 34½ years by means of semiannual installments of \$32.50, which include the interest and part of the principal.

[Approved by the Federal Farm Loan Board.]

Payment No.	Installment.	Interest.	Applied on principal.	Principal still unpaid.
1.	\$32.50	\$27.50	\$5.00	\$995.00
2.	32.50	27.36	5.14	989.86
3.	32.50	27.22	5.28	984.58
4.	32.50	27.08	5.42	979.16
5.	32.50	26.93	5.57	973.59
6.	32.50	26.77	5.73	967.86
7.	32.50	26.62	5.88	961.98
8.	32.50	26.45	6.05	955.93
9.	32.50	26.29	6.21	949.72
10.	32.50	26.12	6.38	943.34
11.	32.50	25.94	6.55	936.78
12.	32.50	25.76	6.74	930.04
13.	32.50	25.58	6.92	923.12
14.	32.50	25.39	7.11	916.01
15.	32.50	25.19	7.31	908.70
16.	32.50	24.99	7.51	901.19
17.	32.50	24.78	7.72	893.47
18.	32.50	24.57	7.93	885.54
19.	32.50	24.35	8.15	877.39
20.	32.50	24.13	8.37	869.02
21.	32.50	23.90	8.60	860.42
22.	32.50	23.66	8.84	851.58
23.	32.50	23.42	9.08	842.50
24.	32.50	23.17	9.33	833.17
25.	32.50	22.91	9.59	823.58
26.	32.50	22.85	9.85	813.73
27.	32.50	22.88	10.12	803.61
28.	32.50	22.10	10.40	793.21
29.	32.50	21.81	10.69	782.52
30.	32.50	21.52	10.98	771.54
31.	32.50	21.22	11.28	760.26
32.	32.50	20.91	11.59	748.67
33.	32.50	20.59	11.91	736.76
34.	32.50	20.26	12.24	724.52
35.	32.50	19.92	12.58	711.94
36.	32.50	19.58	12.92	699.02
37.	32.50	19.22	13.28	685.74
38.	32.50	18.86	13.64	672.10
39.	32.50	18.48	14.02	658.08
40.	32.50	18.10	14.40	643.68
41.	32.50	17.70	14.80	628.88
42.	32.50	17.29	15.21	613.67
43.	32.50	16.88	15.62	598.05
44.	32.50	16.45	16.05	582.00
45.	32.50	16.01	16.49	565.51
46.	32.50	15.55	16.95	548.56
47.	32.50	15.09	17.41	531.15
48.	32.50	14.61	17.89	513.26
49.	32.50	14.11	18.39	494.87
50.	32.50	13.61	18.89	475.98
51.	32.50	13.09	19.41	456.57
52.	32.50	12.56	19.94	436.63
53.	32.50	12.01	20.49	416.14
54.	32.50	11.44	21.06	395.08
55.	32.50	10.88	21.64	373.44
56.	32.50	10.27	22.23	351.21
57.	32.50	9.66	22.84	328.37
58.	32.50	9.03	23.47	304.90
59.	32.50	8.38	24.12	280.78
60.	32.50	7.72	24.78	256.00
61.	32.50	7.04	25.46	230.54
62.	32.50	6.34	26.16	204.38
63.	32.50	5.62	26.88	177.50
64.	32.50	4.88	27.62	149.88
65.	32.50	4.12	28.38	121.50
66.	32.50	3.34	29.16	92.34
67.	32.50	2.54	29.96	62.38
68.	32.50	1.72	30.78	31.60
69.	32.47	.37	31.60
Total.	2,242.47	1,242.47	1,000.00

CONFESIONS OF AN APPRAISER.

And some advice to loan committees.

Mr. W. D. Graves, a Federal appraiser in the twelfth district, has sent us the following, written out of his experiences in farm appraisal work. No doubt it will find a response and echo from many quarters, and perhaps some exceptions. The sincerity and straightforwardness of his remarks will appeal to the chivalrous spirit in most of us. It may also bring forth some replies and parallel experiences from association members, and other appraisers, which will be very welcome. The columns of the BULLETIN are open to all who have messages, suggestions, or questions, and all communications will receive respectful consideration.

We publish Mr. Graves's article here-with:

"A printed circular from the Farm Loan Board, suggesting more thorough examinations and a greater degree of courtesy on the part of Federal appraisers, soothes me like a piece of cool beefsteak on a bruised eye. The fact that it is printed indicates that others than I have been complained of.

"I know that some of the criticisms (of me, at least) have been just; and there is no excuse—though there is a reason. Aside from the many groundless and false accusations that are made, there are doubtless many who believe their complaints well grounded, and some who have been really wronged. There have doubtless been instances where we have overlooked, or neglected to properly appraise items of value, and there have doubtless been times when we have lacked something of the courtesy which was the applicant's due.

"The reason that many feel that they have just cause for the complaint is that their land has not been examined in sufficient detail is likely to be that the Federal appraiser is so familiar with the general aspects of the land in that locality, and has examined so much similar land, that a glance tells him more than it would the ordinary observer, and that he is constantly picking up details as he goes along. Quite possibly he has seen considerable of the place before he sees the owner. In one case in which bitter complaint was made of me, I had been across the place twice, had had a good bird's-eye view of it, and had located two corners of which the owner himself did not know the exact location; then helped him to write his description in his application, and helped him to get corrected a serious error in his contract. He afterwards told me that I had not seen enough of his land to know anything about it, and that, if I didn't recommend a loan of some 10 per cent more than the full price he was paying for the land, I didn't know anything about land values.

"For courtesy on the part of a land-bank appraiser there is, of course, no excuse whatever; but the reason sometimes is found in such a case as the following: I once listened to a 20-minute tirade, accusing the bank of almost criminal negligence, myself of laziness, and the Farm Loan Board of misrepresentation, by a

(Continued on page 7.)

LETTERS FROM SECRETARY-TREASURERS.

I was pleased to learn that the St. Joseph County National Farm Loan Association is considered one of the well-organized and prosperous associations. This has been our aim and we were indeed pleased to learn that we have been so early recognized.

One of the first things that the secretary-treasurer's office endeavors to cultivate with an applicant is sympathy, that is, interest and cooperation in the affairs of the applicant. This spirit continues after the applicant becomes a member. Next, we carefully impress upon the minds of the applicants and the members that they are to be a part of the National Farm Loan Association, which is a unit of the Federal Farm Loan Bureau. These conditions enable us to obtain assistance from members in discriminating between good and bad applications and has materially assisted in disapproving a number of applications before being submitted to the Federal land bank. Next, we endeavor to inculcate a spirit of cooperation among the members and the secretary-treasurer's office, and this condition has resulted in urging members to obtain an increasing number of good applications.

In order to stimulate the spirit of cooperation, which, in my judgment, is one of the fundamental principles underlying this splendid banking system, no time or effort is spared by the secretary-treasurer's office to assist both applicants and members and cooperate with them in all matters, either directly or indirectly, related to obtaining loans and looking after the relations of the members to the association.

I would like to urge that continued missionary work be done, as I find a number of farmers are unfamiliar with the benefits of this splendid system or are indifferent to its beneficial provisions.

L. M. HAMMERSCHMIDT.

It is always an easy thing to look back and point out mistakes, but we know that we would not again allow some of our prospective members to make application for or expect to get as large amounts as they were at first encouraged in. One of the personal problems of the secretary-treasurer is to keep the proper ratio between the A-1 unquestionably good borrowers and securities, the medium, and the poor; and if he is not of considerable experience in such matters he will ultimately learn by the school of hard knocks and disappointments, of which we all receive a liberal portion.

We believe that Iowa, as a whole, offers possibly the largest per cent of high-priced securities for farm loans; but this fact we know, that in Iowa it is not impossible to find land that is positively unworthy of consideration for any loan at all. Still, the farmer who is on the edge of a very good community is usually prejudiced to such an extent that in his own opinion his land is well worthy of the same amount of loan per acre that his neighbor's is. This must be overcome by the secretary and the local board of appraisers, in order to avoid big disappointments and the loss of one of the primary features of the Government plan, namely,

the helping of the man who would be the less able to help himself were he not associated with the local national farm loan association.

And, finally, we believe that any association will go and make growth by its own weight of members only when the fraternal idea is taken up by the individual members to such an extent that they feel and know that by reason of their membership in a national farm loan association they are on the inside of a big and beneficial project, and that they are doing their friend and neighbor an obligating kindness by showing him how he also may get on the inside. To this end meetings should be held as often as possible, when the members are not rushed with work, that they may become better acquainted, and the officers and directors should at all times do all they can to enlarge the fraternal feeling.

One adverse feature of the Government plan has been the "stock requirement," but we are now able to more successfully "combat" this since the earnings are such that there is no longer any question as to the stock receiving good substantial dividends in the near future.

Many association secretaries may perhaps become somewhat discouraged before their association gets well organized and operating smoothly, but each additional member adds a small balance in their favor and ultimately the time spent and efforts which appear to be wasted will begin to bear fruit, and then the satisfaction of success of their project will pay them in degree not measured by dollars and cents.

DES MOINES NATIONAL
FARM LOAN ASSOCIATION,
By E. H. CRAIG.

We feel great pride in Pawnee County National Farm Loan Association No. 1, and are only too glad to give some of the facts that we feel have enabled us to establish a good and growing association. In the first place, it is absolutely necessary that the very best farmers in your community secure loans and take an active interest in the association, as the success of any organization depends upon the amount of interest taken by those actively participating.

We have an especially good loan committee, who in making their appraisements not only consider the value of the land exclusively, but take into consideration the many other things which enter therein. As soon as I receive an application, I immediately turn it over to the loan committee, who are usually very prompt in making the appraisal, and it is then forwarded to the Federal land bank with all abstracts brought down to date, and in this way we are able to secure the loans in a much shorter time and with a great deal more satisfaction to the borrower.

We have made through the association (Dec. 31 quarterly report) a total of \$128,800, and do not have any delinquent, and really feel that the borrowers are men of such repute that we will not have any in the future.

We intend this year to take up the matter of a little more publicity in order that our neighbors may understand the matter better and feel that they would like to be associated with such an enterprise.

As secretary-treasurer, I have made it a point to always advise the applicant whether I felt he was asking for too much, and thus avoid cancellation of the application at a later date.

We pay our appraisers and feel they are entitled to the same, as in order to get service performed promptly they are entitled to some consideration.

Assuring you that we are at all times very glad to cooperate, and with best wishes, I am,

F. R. WEST,
Secretary-Treasurer Pawnee County
National Farm Loan Association.

I was very anxious in forming an association to select 10 borrowers who were leading representative farmers rather than just any 10 men who might be desirous of securing a loan on farms. In this way we got the most desirable members and, when it came to the election of officers, we have a group of officers which give the association the highest possible standing. I think this is the most important question in establishing an association. I believe that the only way to run the association is on a strictly business basis, the same as a bank or a trust company. There no doubt will be applicants which will need to be turned away in order to protect the best interests of the local association.

I believe that the county agents in their respective counties can not do a more important work than aiding in securing a local association of the Federal land bank. I shall be glad to continue as secretary-treasurer of the association here, and in many sections I rather think the county agent will be the one man who will push the work more than any other would do.

PAUL R. LISHER,
County Agent and Secretary-Treasurer
Will County National Farm Loan
Association of Joliet.

LOAN COMMITTEE QUESTIONS.

(Continued from page 3.)

Question. What shall I do? I know my neighbor needs the money. If I appraise his farm at its true value he will not be able to accept the loan. If I appraise it so that he could accept, the loan will be much too large.

Answer. As a member of your loan committee, you are required by law to appraise the farm at its true value, according to your best judgment. The law does not permit you to use any friendship considerations in finding the value of the farm. You are a poor public servant if you can not divorce friendship considerations from your appraisal of farms. The law provides a penalty of \$5,000 for a member of a loan committee who willfully overvalues any land offered for security under the Federal farm loan act.

Question. Why should we, as a loan committee, appraise these farms, when you as a Government appraiser pay so little attention to our appraisals?

Answer. I am supposed to make my appraisals independently by calculating all the factors that make farms have value. I can not take the conclusions of the loan committee. I can consider only the facts of earning power, sales, etc., which may or may not have led you to your conclusions. I can not base my ap-

praisals on your opinions. I must base them on the facts that make farms have value. Your loan committee can safeguard your association, for the Federal land bank will not grant more than you recommend. Your appraisal of the land should be as independent as mine, and based on facts. Both of our reports are then submitted to the Federal land bank for final action.

Question. My Scotch neighbor bought a farm recently from his local banker, an old friend and kinsman, for \$40 per acre. He said the farm was purchased below value and that the loan committee could appraise it at \$50 per acre. As a member of the loan committee I said that if the farm was sold at \$40 per acre that was its value.

Answer. You are right in considering carefully the amount for which the farm was actually sold. In addition to that, however, you should have considered the other sales in the neighborhood. You should also have considered the earning power of that and the neighboring farms. The true value is represented by a sale only when an intelligent purchaser who does not need to buy agrees on a price with an intelligent seller who does not need to sell. Suppose the banker had sold it to a stranger at \$60 per acre; would that be its value? After considering the other sales and the average earning power of farms in the neighborhood you might find such a farm worth only \$30 per acre, though in this instance I find the Scotchman's farm worth \$50 per acre. His banker friend and kinsman gave him an exceptional opportunity.

Question. When the cost of the buildings is much more than the value of the land, shall we appraise them at their cost, making the cost of the buildings, plus the value of the land, the value of the farm?

Answer. No. Such a farm is, for general agricultural purposes, top-heavy with buildings. You better first determine the value of the land without buildings, and then determine how much the buildings add to the worth of the farm. If the buildings are more than adequate to the needs of the farm for general agricultural purposes, then the actual cost above the cost of adequate buildings must be calculated and deducted from the value of the farm, plus the actual cost of the buildings. Indeed, the upkeep of such overadequate buildings sometimes makes them a liability rather than an asset and makes them more valuable to the farm as lumber than as buildings.

The manager of this BULLETIN, under the auspices of the Farm Loan Board, takes this opportunity to renew the invitation to its readers to send in any suggestions and ideas that they think would be of general interest.

A RECENT RULING.

The Farm Loan Board has recently made the following ruling:

A married woman, who is a stockholder in a National Farm Loan Association, may give her husband a proxy authorizing him to represent her and vote her stock at shareholders' meetings of such association, but such proxy will not render the holder eligible to any office in the association.

Unmarried women and men, however, who are stockholders, are not allowed proxies.

CONFESSIONS OF AN APPRAISER.

(Continued from page 5.)

man who said that he 'had been trying for a year to get a loan.' During the interview I learned that he had not made any application. He made application that day, and I examined his land and recommended a loan, for he was a worthy man, laboring under a misapprehension, but he complained that I was 'rough spoken.' I fear that his complaint was just; and also that I was not as courteous to the next man as I ought to have been. I hope to be able, some day, to handle such firebrands without flinching, but it takes a little time to become calloused.

"I think that all appraisers will join me in saying: 'We have said many things we ought not to have said; but we have left unsaid many things which we would have liked to have said, and there is still some good left in us.'

"I believe that it is the desire of every Federal appraiser, as I know it is mine, to recommend just as many and just as large loans as is consistent with good business principles and justice to all concerned. Doubtless we have sometimes allowed ourselves to become unduly fretted by real and suspected attempts to pull the wool over our eyes and have quite improperly visited upon the heads of the just some of the sins of the unjust; but we have no other wish than to do the best we can for each and every applicant.

"And now, having 'fessed up,' may I not be permitted a word with local appraisers called in the farm loan act 'loan committees'; not in the way of criticism or instruction, but as an advance in the way of an exchange of ideas? The Federal appraiser does not come to you to tell you land values, but to learn land values in your locality. He wants all the information he can get, both as to land values and as to the personality of the applicants—even wants frank criticism, which will be the more welcome if it is constructive. Cooperation is the keynote of the whole institution, and I, for one, have been more troubled by the aloofness and restraint of some loan committees than by all the 'cussing' I have received, and that is sure some.

"Of the nearly 100 committees that I have met I believe that each individual is an honest man. I know that practically all are of sound judgment and good intent, many exceptionally so, but I find many who seem inclined to look upon their job much as some politicians look upon theirs. They seem to feel that it is their duty to *get as much as possible for their constituents*. This attitude of mind is doubtless largely due to the too prevalent impression that it is 'Government money' which is being loaned, whereas, to all intents and purposes, you are lending your own money and that of your neighbors.

"The fact of the matter is that each association is a cooperative body borrowing money, generally from about the same persons from whom you borrowed through the loan companies, but getting it at a lower rate of interest because the members have pooled their security, and because the Federal land bank is a cheaper 'middleman' than heretofore used. Each one of you is personally responsible, to the extent of 5 per cent of your loan, but this personal liability can not exist until the capital stock of the

association is impaired. As the Federal land bank is doing for 1 per cent (or less) the same work for which you have been paying from 2 per cent to as high as 5 per cent, it is entitled to expect that you will heartily cooperate with its attempts to make all loans safe. You are looking out for your own interests by doing so.

"In the matter of arriving at the real value of lands one needs all the help he can get. All Federal appraisers feel better, and can do better work, if met in a spirit of cooperative helpfulness rather than with the desire to get as much as possible. The fact that the loan finally offered by the bank may be low does not in any way depreciate the value of the land offered, but simply signifies that the bank has not been fully convinced that a larger loan would be safe. Federal appraisers are (or at least try to be) open to conviction; but, if you appraise land at twice what it is being sold for, or if you appraise one farm at twice the value you place on another equally good one, that is sure to make it more difficult to convince him that your appraisals are all absolutely safe. His most earnest desire is to arrive at a valuation which shall be just; but he wishes to be just not only to the individual applicant immediately under consideration, but to the thousands of others who must, if the loan is made, assume a part of the responsibility for it.

"Here, I find, is where we are all apt to err; for we are likely to give too much weight to the wishes of the man who is immediately before us and probably personally known to the local committee. The first question of the local appraiser is apt to be, 'How much does he want?' and the tendency then is to make the appraisal to fit the desired loan. Some know and freely admit that they are influenced in this way; and I believe that all are more so influenced than they realize. It seems to me best not to inquire the amount of the loan desired or to put it entirely out of mind until after a valuation for the land has been decided upon; then consider the amount wanted and the personal equation.

"It is natural, and altogether good, that each of us should consider his own neighborhood 'the best in the State'; and it does my heart good to listen, occasionally, to a good 'booster'; but you are not selling real estate. You are, or should be, trying to avoid sales. I was once riding with a loan committeeman who was quite evidently a firm believer in the value of land in his locality. He told me of a stool of wheat having 213 stalks, of a 26-pound turnip, of alsike clover 6 feet high; and was just beginning to raise sugar beets when an animal about the size of a large cat jumped across the road just in front of us. Startled, I asked: 'What was that?'

"Without 'cracking a smile,' he answered: 'A chipmunk.'

"I don't know whether he ever complained of my lack of courtesy; but, being new to the work, I couldn't prevent the shade of sadness that passed over my countenance. And, though I readily admitted the excellence of the soil around there, I don't think that he could reasonably expect me to appraise land on a basis of chipmunks as big as that. Do you?"

Money like powder has no force until it is used.—Henry Ward Beecher.

ADVENTURES IN FARM MORTGAGE LOANS GUIDED BY UNCLE SAM

Being observations, experiences, remarks, and stories of some who have entered into the Eldorado of low interest and amortized farm mortgages.

Our Finnish Friends Up North.

Mr. G. T. Werline, Federal appraiser for the Northern Peninsula of Minnesota, recently sent to the Federal Land Bank of St. Paul a short sketch on the Finnish farmer as he sees him in his daily work. In sending this on to the BULLETIN Mr. H. K. Jennings, secretary of the bank, said: "This little article has proven very interesting to all of us who have come in contact with the Finns, and I am inclosing same, thinking possibly it may be of sufficient general interest to warrant its publication in the BORROWERS' BULLETIN. It might also be of general interest if we could have short articles published in the BULLETIN on the other nationalities represented in this country and out of which we are trying to make American citizens."

Mr. Werline's sidelight on the Finns follows:

"The exodus of a race, or even a part of a race, is always an interesting subject, especially to Americans, who racially are quite likely to be connected with some phases of this human phenomenon.

"From the time the Jews sought the promised land down to the invasion of America by all of the tribes of men, there has been no more remarkable trekking of a race than the swarming of the Finns to the Copper country in the Lake Superior region. Apparently they did not come here especially to till the soil, as did the Dutch and Germans to Pennsylvania. Rather they came here to escape intolerable conditions and to earn a living wage.

"But the Finn loves the soil. He first acquires by dint of arduous toil and thrift a bank account. He next selects a small patch of land, a 'forty' or an 'equity'—and I am beginning to suspect that a Finn knows good land when he sees it. He rarely ever chooses a worn-out or barren clearing, or a timberless tract, easy to clear; he rather settles on the soil that is most thickly studded with maple and elm stumps. In a surprisingly short time he will have a clearing. He will erect a neat house, a comfortable barn, and a bathhouse.

"This bathhouse of the Finns, by the way, is an institution much older than our American bathroom, and a word here on the subject may not be amiss. It is usually built of hewn logs, about 12 by 16 feet, one story, shingle-roofed, no chimney, one outside door, one small window, and one ventilating slide. There are two compartments, the one having the outside door being the dressing room. The inner room usually has an earthen floor, on which is piled a heap or pyramid of boulders so arranged that a fire built of wood will cause these rocks to become very hot. Then this compartment is tightly closed and water poured on the hot rocks, which is quickly converted into steam. This room has a series of steps or platforms, and by stepping up and up the bather finds it hotter and hotter. After about 15 minutes he goes into the dressing room, where he rubs himself with soap and towels. Some first take a cold-water bath, and it is not unusual for

the more robust of the Finns to go immediately from the steam and take a few turns of rolling in snow, which is declared to be highly enjoyed.

"With the vigorous help of his wife and flock of bright, healthy, fair-haired children, our Finnish farmer gradually increases his opening, until he has many acres of well-cleared and well-cultivated land, and a herd of cattle.

"No other race of people, not even the Scandinavians, so readily and so successfully attack the great problem that our cut-over lands present as does the Finlander."

More Good Words for the Bulletin.

I have just completed the reading of a couple of copies of the BORROWERS' BULLETIN, which I must say have the right kind of stuff in them. I am sure that they are the most productive of enthusiasm of any of the regular publications issued from the department.

Our local association up here in Vermont has just completed the distribution of \$177,300 of loans to members; this since April 1, 1918, although we were organized October 8, 1917. About \$25,000 of this money has been used in making permanent improvements and the purchase of stock, and the balance has paid up old mortgages. It seems to me that this is proof of the need of the organization. While the banks in this section are glad to take most farm mortgages at 6 per cent and will make nearly as large a loan in most cases as the Federal land bank, still we find the farmers thoroughly interested in the Farm Loan Association, particularly on account of two reasons: First, they feel secure as part of a co-operative banking system which will ultimately be controlled by the borrowers themselves. It gives them a larger interest in a Government that they feel is looking out for their interests. It makes them hold their heads a little higher and gives them a feeling of independence that encourages them to better efforts. Second, it relieves them from the ever-present fear of a foreclosure, as is the case where the local bank holds the mortgage note, payable on demand, which is the common type here. The amortization plan of payment makes them sure that they are getting ahead and constantly reducing the mortgage, for they will do this without feeling it, when, were only the interest due, they would find other uses for the money that they had hoped to apply on the principal.

It is most pleasurable to note that the men in this country who have taken up with the project are the good, solid young men in the various communities. The loans of our six directors average better than \$6,000, and not man is over 45, and three of them are less than 38 years old. Three of the directors are officers of our farm-bureau association; one is also a director of our county farmers' exchange. All are members of the farm bureau and the farmers' exchange, and three-fourths of all the borrowers are also members of these organizations.

As secretary-treasurer of the association, I have been subjected to the withering sarcasm of acquaintances among the officers of the local banks and insurance companies, many of whom we have succeeded in convincing that the Federal land bank is a real help to the farmers and will ultimately reflect in better business for them. Some of the banks are even referring to us cases that they are not in a position to handle. Altogether it is a good thing, and you can count on me to keep my end booming.

F. H. ABBOTT.

It is the policy of the Board to construe the section of the farm loan act relating to the disbursement of loans in a liberal spirit and to place no obstacle in the path of the borrower that might interfere with any reasonable plan that he might have.

AMORTIZATION TABLES
SAVE FIGURING

Also show when next payment will be due, amount, and balance unpaid.

In another part of this BULLETIN mention is made of a farmer who sold his farm subject to a \$4,000 Federal farm loan mortgage, who failed to credit himself with the amortization payments which he had already made. If he had referred to an amortization table, he would have been able to tell immediately how much of his mortgage was still outstanding.

Let us take a case for illustration. Suppose a farmer's mortgage was originally \$1,500, and had been running 10 years. This means that he has made 20 semiannual payments. By running his finger down the payment number column to the figure 20, thence to the right to the last or balance column, he will find that the balance still due on his mortgage is \$1,303.52. His mortgage stopped being a \$1,500 mortgage as soon as he had made his first amortization payment.

Each borrower in the seventh land bank district receives an amortization table, printed on a large receipt envelope at the time when his loan is made. The table will be for the amount of his loan, and as he slips his interest and amortization receipt away in the envelope he draws a line through that payment figure. He sees what his unpaid balance is, or, in other words, what the true size of his mortgage is after having made that particular payment. The form which he received with his receipt he will send back to the bank with his next payment, no letter being necessary. This might be called automatic bookkeeping. It keeps a perfect record, agrees with the bank's accounting both in the treasurer's and registrar's offices, reduces correspondence, delays, and confusion, and consequently makes the farmer and the bank's clerical force more efficient.

The Borrowers' Bulletin

ISSUED BY THE FEDERAL FARM LOAN BOARD, U. S. TREASURY DEPARTMENT

VOL. 1

WASHINGTON, D. C., APRIL-MAY, 1919.

No. 10

GOOD HEALTH AS SECURITY FOR LOANS

Preventable illness should not be tolerated—It constitutes a mortgage on health and earning power, and is a detriment to the whole family.

Of all the things which cause farmers to fall into a condition in which they can not pay off their mortgages, sickness in the family is probably the most important. Many a farm is lost under mortgage foreclosure every year because of sickness. This sort of misfortune comes to the industrious and efficient farmers, as well as to the shiftless and inefficient. We have long past risen above that point of intelligence where we regard sickness as something sent upon us either by witchcraft or evil spirits, for their own evil purposes, or by divine providence for beneficent ones. We now know that sickness comes from natural causes, some of which are under our control.

The Federal farm loan system has not as yet taken the position that farm premises must be in a sanitary condition before a loan is made, and yet such a ruling would be entirely justified. Why should any farm mortgage credit institution take chances on loaning to a farmer whose premises are in such condition that the family is likely to be thrown into bankruptcy through a visitation of typhoid fever or malaria or through the ravages of hookworm disease, when, by the expenditure of a little care, a little time, a little money, and a little discipline in the family these dangers might be completely avoided? The same thing may be said of tuberculosis and some other diseases.

In order that the attention of the borrowers and of neighborhoods generally may be directed to this very important subject, we publish herewith a letter from Dr. L. L. Lumsden, Assistant Surgeon General of the United States Public Health Service, whose work in rural sanitation has attracted the attention of the world:

"As the Federal Farm Loan Board is now financially interested in the success of the business of farming which, under partnership arrangements between the National Government and individual farmers, is being conducted on thousands of properties distributed widely in the rural districts of the United States, and as the chances for the profitable operation of the farming business depend obviously upon the health and vigor of the farm population, I am sure you will regard with particularly keen interest some of the salient facts which have been determined from recent intensive and extensive studies of conditions influencing human health in our rural districts.

"Within the last several years the United States Public Health Service, in



HOUSTON BANK FIRST TO PAY DIVIDENDS

Spokane Bank has also paid dividends. St. Paul, Omaha, and Wichita will follow soon at the rate of 6 per cent.

The Federal land banks have reached the point of progress where they are beginning to pay dividends on the capital stock of their national farm loan associations. This could only be done after paying all costs of organization and of operation and putting aside a substantial sum in their respective reserve accounts. As the banks (unlike private commercial banks) had to start business without a surplus, the first six months' period was necessarily one of "everything going out and nothing coming in." Then interest and amortization payments began coming in.

Associations that are not in first-class shape, that show unfinished business or any delinquencies, will not receive their dividend checks until they qualify. This is having a wholesome effect. The Federal Land Bank of Houston up to March 31 had paid out over \$11,000 and the Federal Land Bank of Spokane over \$50,500. In the case of the Spokane bank this is at the rate of one-half per cent for 20 months, or 6 per cent per year. The Houston bank is also paying at the rate of 6 per cent per year.

The Houston bank being the first to pay a dividend, we asked the secretary of that bank for a story as to what the payment of dividends means to both the stockholders in the Houston bank and, in fact, the entire Federal farm loan system in promoting cooperation, morale, etc. His reply follows:

"The payment of dividends was indispensable in our plan of organizing the Houston bank as intended by the Federal farm loan act, which properly and wisely makes the national farm loan association the basis and foundation structure of the Nation's long-term rural credit system. The association furnishes ultimately all the cash capital of the Federal land bank and from it comes all the credit capital, loans, and repayments. By indorsement it takes all the risk of loss from the bank. With the exception of marketing the farm mortgage bonds, all the rest of the system is either mechanical or supervisory—mechanical in converting long-term farm mortgages with repayment on the amortization plan which no investor would purchase into a standard form of security desirable and salable; supervisory to the end that investors may have both confidence and safety in these investments. If we, the directors, charged with the duty of organizing and putting into effect the system, are not going to organize these banks from the foundation, then why all the machinery of the Federal land bank system? Cer-

UNIVERSITY OF TEXAS LIBRARIES

cooperation with State and county health organizations, has made detailed sanitary surveys—reaching every home—in 18 rural counties and in representative rural sections of about 30 other counties. The 18 counties covered entirely by the surveys are distributed in 16 different States—Northern, Southern, Eastern, and Western. The conditions found in the areas surveyed are regarded as fairly representative of the conditions obtaining generally in the rural districts of our whole country. A recently issued Government publication—Public Health Bulletin No. 94—presents a detailed account of the findings and the results of the sanitary surveys in 15 counties. Copies of this bulletin may be obtained upon request sent to the Surgeon General, United States Public Health Service, Washington, D. C.

"A commonly expressed opinion is that the farm is an especially healthful place of human abode. Such opinion prevails with us because of the many obvious natural advantages for healthfulness presented by our average American farm. It has been found, however, that due to neglect of simple, common-sense, inexpensive, and very elementary sanitary measures the persons living on our farms generally are exposed to conditions which seriously menace their health.

"Certain diseases which are caused by infections spread from person to person are, notwithstanding the sparser population, much more prevalent in our rural sections than in our cities. Hookworm disease and malaria are now diseases almost entirely of rural origin. In many sections of our country typhoid fever and dysentery are more prevalent in the rural districts than in the cities. Tuberculosis is appallingly common in our average farming community. These diseases incapacitate persons for useful, profitable labor. They take the joy out of living. They cause untold human suffering and much premature death. And they are preventable!

"It is readily within the means of the average American farmer to carry out at his home reasonable sanitary measures for the protection of himself and his family against the most common filth-borne communicable diseases. The cost of such measures in labor or money is much less than is the cost of their neglect. Our national economic loss—falling espe-

(Continued on page 7.)

(Continued on page 5.)

WHY NOT GIVE THE FARMER EQUAL SHOW

An effort is being made to have him pay taxes twice—once on what he owns and again on what he owes.

Certain farm mortgage concerns have formed an organization through which they are flooding the country with literature advocating the taxing of Federal farm loan bonds. Borrowers under the Federal farm loan system, farmers and citizens generally, should understand the relation of this scheme to the interest on farm loans. The Federal land banks obtain the money which they loan to farmers by selling Federal farm loan bonds to investors. These bonds and the income derived from them is exempt from all taxation. By reason of this fact, Federal land banks are able to get the money at a much lower rate of interest than they could if the owners of these bonds were required to pay taxes on them and on the income derived from them. If these bonds are made taxable, interest rates to the farmers must go up. In other words, the farmer, in the form of interest, will be obliged not only to pay the interest on his debt but enough more in the form of interest to pay the taxes which the man who buys the bond must pay thereon.

A farmer in Utah recently applied to one of these concerns which are so active in trying to subject Federal farm loan bonds to taxation for the privilege of paying his loan off so that he might take out a Federal land bank mortgage. The following letter is the reply thereto, and shows clearly the reason why the Utah farmer was anxious to get out of the hands of this particular concern and into the hands of the Federal farm loan system:

"Your letter of the 5th received, asking if you could pay off your loan. We are not at all anxious to have you pay this off, as it is a good loan and the customer to whom we sold it is in Boston and does not want to change his investment at this time if he can help it. However, if you insist on paying it off, we can probably arrange to pay it off on the following terms, given below, but we can not promise to do this until we ask the customer in Boston, so we will tell you what we think it will cost you, and if you are willing to pay it off on those terms, which are pretty expensive, then we will write to Boston and find out if they are willing to accept your money. We can not force them to do it if they do not want to.

"You will have to pay \$1,000 principal, \$50 interest to April 8, \$30 the balance of our commission interest to the maturity of the loan. Probably our customer would also want about a \$20 bonus, and then you will have to pay 7 per cent interest on \$1,000 from April 8 until the money reaches this office, so that will make you \$1,100 plus interest of 7 per cent on \$1,000 from April 8 until the money reaches us here, and the rules of our office are that in order to pay a loan off the money must be here in Denver before we cancel the papers. Be sure you remember this, because sometimes the

Federal land bank refuses to give you the money until they have seen the canceled papers. We can not arrange that—they have got to pay the papers before we cancel them. Now, you see this is costing you about \$50 more than simple interest, so that you are losing \$50 by paying off at this time; \$50 is 5 per cent interest on \$1,000 for a year, or 2½ per cent interest for two years, so you see that you are not reducing your interest charge very much by getting a Federal farm loan on this basis. However, if you want to do this, let us know and we will write to Boston and find out whether they are willing to take your money."

One might think, after reading the appeals for the taxation of Federal farm loan bonds, that the farmers are the only people who are receiving the benefits derived from the sale of bonds exempt from taxation. As a matter of fact, however, the people of the cities, towns, and villages of the country are able to float mortgages and issue securities in sums measured by the billion dollars, which have tax exemptions, including exemption from Federal taxation, and these people are able to get low interest rates for that reason.

Stock in the Federal reserve banks of the United States is exempt from all taxation, and the bankers owning these stocks receive 6 per cent dividends on them, yet nobody questions the propriety of this arrangement.

Mutual building and loan associations all over the United States are free from taxation on their mortgages and the income from them. This gives to the city home builder a low rate of interest, but nobody complains that this is unjust.

Mutual savings banks are, by the provisions of the Federal income-tax law, entirely exempted from the taxes which it imposes.

The cities and towns of the United States issue municipal bonds for the purpose of paving and improving their streets, and otherwise making city life convenient, comfortable, and happy. These bonds and the income therefrom are exempt from all form of Federal taxation. This is a fine thing for the cities and towns, because it gives the people a low rate of interest and enables these necessary improvements to be made, and nobody objects to it.

Any one of these items is far larger than the amount of Federal farm loan bonds sold. The farmers of the United States may judge for themselves as to whether the low rate of interest which they are enjoying by reason of this exemption from taxation should be lost to them, and a higher rate established through the taxation of Federal farm loan bonds.

Those who have farm loans coming due, or who must pay off an existing loan at a coming interest-payment date, should see the secretary-treasurer of his local national farm loan association. The county clerk should be able to tell you who he is. If there is not one in your county, write to the Federal land bank of your district. (See page 4 of this BULLETIN for location.)

Don't put it off. Start three or six months ahead; otherwise you may encounter difficulties.

CAPITAL STOCK OF ASSOCIATIONS

When quarterly reports should indicate increase in capital—How to issue stock to borrowers.

Quite a number of secretary-treasurers of national farm loan associations do not seem to understand what is meant by this question, which appears in all quarterly reports:

"Has capital stock been increased?" The articles of association of every national farm loan association contain the following paragraph:

"The capital stock of this association shall be ten thousand dollars (\$10,000), divided into two thousand shares of the par value of \$5 each, but the association may begin business when stock to the amount of \$1,000 has been subscribed. At any time after 90 per cent of the authorized capital stock of this association shall have been subscribed, the board of directors by a two-thirds vote, which shall be entered on its minutes, may increase the capital stock to such amount as may seem necessary to meet the demands of increasing membership or increasing loans to members."

Article 8, section 1 of the by-laws of all national farm loan associations, as approved by the Farm Loan Board, provides for the increase of capital stock to comply with section 8 of the farm-loan act, which reads as follows:

"Every national farm loan association formed under this act shall by its articles of association provide for an increase of its capital stock from time to time for the purpose of securing additional loans for its members and providing for the issue of shares to borrowers in accordance with the provisions of this act. Such increases shall be included in the quarterly reports to the Federal Farm Loan Board."

Therefore, you can readily see that it is not necessary for an association to show an increase in capital until the aggregate loans amount to at least \$180,000; then by resolution of its board of directors said capital stock should be increased to such an amount as will care for its future borrowers.

Copies of this resolution should be forwarded to the Federal land bank of the district within which the association operates, and to the Federal Farm Loan Bureau at Washington, D. C., and thereafter, when making quarterly report, state date and amount of increase.

The issuance of stock to the individual borrower is a matter that many secretary-treasurers do not fully understand. Each association should be provided with a stock book by its Federal land bank. When a loan is closed the secretary-treasurer should issue the amount of stock due the borrower, dating said stock on the same day as mortgage. This stock should remain in the bank and a receipt given the borrower therefor. The stock certificate must not be delivered to anyone, but must remain in the custody of the association.

A MESSAGE TO IRRIGATIONISTS

**Foresight and business judgment
will save regrets and expense of
hindsight.**

The following is from Monthly Bulletin No. 11, sent out by the Federal Land Bank of Berkeley to the people of California, Nevada, Utah, and Arizona. It will be found interesting to farmers in the Eighth, Ninth, Tenth, and Twelfth Districts, as well as the Eleventh, and, in fact, in its general principles to farmers everywhere:

"It is the consensus of opinion among engineers who have studied the subject that upon nearly all lands where irrigation is constantly practiced the necessity for drainage will sooner or later become apparent. In a new or comparatively new country this necessity may not appear for a long period of years, and for this reason little regard has been paid to it until the danger becomes very real and imminent.

"At first, water only is needed in order to make the soil productive, and in many cases the effect of constantly putting this water on the land is even not considered and many times not understood. Not only must land be reclaimed by the use of water, but its value and future usefulness must be zealously guarded. After a considerable period of irrigation it is just as necessary to begin to think about drainage facilities and to install them where needed as it is to have the assurance of a permanent and adequate water supply.

"In some regions of the eleventh district the need for speedy, intelligent, and definite action in the matter of drainage stares us in the face. This bank, unlike old-time institutions doing a similar business, is making loans for long periods of years, and unless we can be satisfied that lands are not menaced by a rising water table, or unless such menace is recognized and solved by the installation of effective drainage, we can not make loans upon them. Therefore we must be assured not only of a good and permanent water supply, but also that the land is capable of being drained and, if the necessity arises, that it will be drained. This is a matter to which, I think, the members of every farm loan association in irrigated areas should give their very earnest and prompt consideration.

"In addition to the qualifications of a borrower, however, let us call your specific attention to a few other important factors to be considered in recommending loans. First, the eligibility of the applicant himself and the necessity for answering with fairness to him and to your association every question on the application under "Report of the loan committee." Second, that inasmuch as our loans are made for long periods we can not consider trees or vines as permanent security. The loan must be based on the agricultural value of the land itself. Third, we can not make loans on lands impregnated with excess of alkali, or on unproven lands, where the soil is closely underlaid with hardpan. Fourth, we can not make loans unless we have the assurance of permanent and adequate water supply, and the further assurance that the land is not menaced

The BULLETIN is issued for free distribution to all borrowers or prospective borrowers under the Federal farm loan act. It contains some observations based upon the early experiences of the Federal land banks which may be helpful to those who borrow later. It is intended to impress upon the borrower the necessity for uniformity and promptness of action, and suggests ways to eliminate needless delays in the making of loans. Additional copies may be had by addressing the Federal Farm Loan Bureau, Treasury Department, Washington, D. C.

by a rising water table, which is not provided for by adequate drainage.

"Every member of the loan committee is a borrower. He owns stock in his association, and, therefore, in this bank. He is responsible, to some extent, for the loans of his neighbors, and it is to his direct interest, as well as to the interest of this bank, that he recommend no loans unless he feels very sure they are on good security, and this security will endure throughout the long period of the loan."

MORE ABOUT CREDIT AND BORROWING

**Wisely acquired and used it is a
blessing—As old as trade it-
self.**

In the February-March issue of THE BORROWERS' BULLETIN there appeared a letter from a secretary-treasurer in a New England national farm loan association, in which he objected to the name of this paper being THE BORROWERS' BULLETIN. We tried to show him that being a borrower implies the fact that the man must have something on which to borrow before he can become a borrower, and that business of every kind not only lives but thrives and progresses on credit. Never in the history of the world has credit been such an important factor as to-day.

Because of the great importance of credit in its relation to human affairs—personal, civic, national, and international—we are glad to publish the following from Important Items, published by the Federal Land Bank of Houston:

"Credit is necessary nowadays to every business. The uses of credit are ever increasing. Nearly all farms are acquired by the use of credit. So are most urban homes. All streets, roads, bridges, railroads, interurbans, street railroads, hotels, office buildings, ships, docks, mines, and factories are built on credit. Business is carried on and wars are fought on credit.

"Credit has had its greatest growth and increase in the last 70 years. So has business and industry. The two go together. Modern business and industry require two kinds of capital, namely, invested capital and working capital. The money put into a factory plant is invested capital, while that used in operating the plant is working capital. The capital put into the storehouse is invested, while that used in buying and selling goods is working capital. Just so in agriculture. The money put into lands and permanent improvements is invested capital. That which is used in operating the farm is working capital. The distinction is important.

"We have dwelt on the distinction between invested and working capital because they require very distinctly different kinds of credit. Invested capital requires long-time credit, while working capital is amply provided for by short-time credit.

"The acquisition and improvement of the farm require long-term credit just the same as the building of the factory plant or a railroad requires long-term credit. The operation of the farm requires short-term credit just the same as operating any other kind of business or industry. Commercial banks supply, or should supply, a very satisfactory system of short-term credits adequate to all needs for working capital. But there being no system of long-term credits for supplying invested capital required for general agricultural development, Congress enacted the Federal farm loan act.

"Credit is profitably used when employed to reduce interest charges on existing indebtedness; when employed to acquire lands at their fair value, the use of which is worth more than the interest cost of the credit; when used to make improvements, buy equipment, live stock, etc., which will enhance the yield of revenues from the farm beyond the cost of the credit.

"Credit should never be employed where there is not a profit in the use to which it is to be put. Neither should one use credit unless the terms of payment are such that he can surely meet them under all conditions."

REDUCING AMOUNT OF LOAN ASKED FOR.

**The banks and associations under
the Federal farm loan system
being cooperative, belong to
the borrowers, therefore must
be kept safe.**

The reduction of the amount of a loan asked for by a prospective borrower is sometimes necessary, sometimes a kindness, but always a more or less delicate matter, unless handled in a thoroughly businesslike way.

In order to keep in closer touch with its associations, the Federal Land Bank of Springfield issues "association bulletins" from time to time; so when the subject of reduced loans came up for definite attention, a message was thus sent to the officers of the associations in the first Federal land bank district, which may contain a helpful suggestion or two for other associations, as sensitiveness seems to be a human trait the world over and not confined to any specific community. The bank's bulletin follows:

"Very often the loan committee or directors of an association find it necessary to approve an application for a lesser amount than that applied for. Some associations have adopted the practice of discussing the matter very frankly with the borrower, advising him of the reduction and ascertaining whether the reduced amount would be acceptable to him.

"This practice has many advantages. The borrower knows at once what he may expect. He can arrange his affairs so (Continued on page 5.)

THE BORROWERS' BULLETIN.

FARM LOAN DIRECTORY.

A column of boiled-down information about the Farm Loan System, its organization and personnel.

Location: Treasury Department, Washington, D. C.

Members of board: CARTER GLASS, Secretary of the Treasury and chairman *ex officio*; GEORGE W. NORRIS, farm loan commissioner; HERBERT QUICK, W. S. A. SMITH, and CHARLES E. LOBELL.

Secretary: W. W. Flanagan.

THE FEDERAL LAND BANKS.

District No. 1.—Springfield, Mass., serving the States of Maine, Massachusetts, Vermont, New Hampshire, Rhode Island, Connecticut, New Jersey, and New York.

District No. 2.—Baltimore, Md., serving the States of Pennsylvania, West Virginia, Maryland, Delaware, Virginia, and District of Columbia.

District No. 3.—Columbia, S. C., serving the States of North Carolina, South Carolina, Georgia, and Florida.

District No. 4.—Louisville, Ky., serving the States of Indiana, Ohio, Kentucky, and Tennessee.

District No. 5.—New Orleans, La., serving the States of Louisiana, Mississippi, and Alabama.

District No. 6.—St. Louis, Mo., serving the States of Illinois, Missouri, and Arkansas.

District No. 7.—St. Paul, Minn., serving the States of North Dakota, Minnesota, Wisconsin, and Michigan.

District No. 8.—Omaha, Nebr., serving the States of Wyoming, Nebraska, South Dakota, and Iowa.

District No. 9.—Wichita, Kans., serving the States of New Mexico, Kansas, Colorado, and Oklahoma.

District No. 10.—Houston, Tex., serving the State of Texas.

District No. 11.—Berkeley, Calif., serving the States of California, Nevada, Utah, and Arizona.

District No. 12.—Spokane, Wash., serving the States of Idaho, Washington, Montana, and Oregon.

These banks are engaged in lending money to farmers on first mortgages on farm lands at a rate of $5\frac{1}{2}$ per cent. The mortgages are repayable on the amortization or installment plan through periods ranging from 5 to 40 years. Loans may be made up to 50 per cent of the appraised value of the land plus 20 per cent of the value of the permanent insured improvements for approved agricultural purposes.

A farmer desiring to become a borrower should address a letter of inquiry to the Federal land bank of his district asking for the name of the farm loan association nearest him, or for papers to enable him to organize an association if none has been organized in his community.

Many things have come to pass, nations have risen and fallen, inventions have been discarded for newer inventions, intelligence and knowledge have to a large degree supplanted superstition and ignorance, but as yet no sanitation methods have been devised which are more efficacious than those prescribed by Moses to the Children of Israel for use during their 40 years' journey in the Wilderness. (See Deut. 23: 11, 12, and 13.)

What makes life dreary is want of a motive.—*George Eliot*.

Probably he who never made a mistake, never made anything.—*Samuel Smiles*.

\$15,946,277 PAID OUT TO FARMERS ON MORTGAGE LOANS IN MARCH BY FEDERAL LAND BANKS—\$14,799,788 IN FEBRUARY

During the month of March, 1919, \$15,946,277 were loaned to 4,630 farmers of the United States by the Federal land banks on long-time first mortgages according to the monthly statement of the Farm Loan Board. The Federal Land Bank of Omaha leads in amount of loans closed, \$4,565,850, with the Federal Land Bank of St. Paul running second in amount, \$1,893,200. The other banks closed loans in March as follows: Houston, \$1,888,717; Spokane, \$1,528,850; Louisville, \$1,142,700; St. Louis, \$1,125,980; Columbia, \$923,355; Wichita, \$775,800; New Orleans, \$741,775; Berkeley, \$547,600; Springfield, \$525,950; Baltimore, \$336,500.

On April 1 the total amount of mortgage loans closed since the establishment of the Federal land banks was \$198,609,626, numbering 79,949 borrowers. During March 5,916 applications were received asking for \$20,622,021. During the same period 4,605 loans were approved, amounting to \$14,561,784. Alto-

gether 185,643 have applied for loans under this system, aggregating \$492,066,733.

The grand total of loans closed is distributed by Federal land bank districts as follows:

Spokane	28,640,050
St. Paul	27,541,700
Omaha	26,383,390
Houston	21,046,561
Wichita	18,583,700
St. Louis	15,012,345
New Orleans	13,552,990
Louisville	12,764,000
Berkeley	11,023,600
Columbia	9,721,395
Baltimore	7,240,850
Springfield	7,099,045

During February \$14,799,788 were loaned to 4,209 farmers, distributed as follows: Omaha, \$3,895,400; St. Louis, \$2,055,955; Houston, \$1,863,213; St. Paul, \$1,506,600; Spokane, \$1,251,720; Wichita, \$1,019,800; Louisville, \$757,300; New Orleans, \$735,800; Columbia, \$505,500; Berkeley, \$473,800; Baltimore, \$386,900; Springfield, \$347,800.

ABOUT COLLECTIONS AND REMITTANCES

In one of the Federal land banks the secretary-treasurers, officers, and members of all national farm loan associations under its jurisdiction have received a letter reminding them of the importance of collections and remittances. As the operation and administration of the farm loan act is the same throughout the 12 land bank districts, we publish it here in full, because it is a very important matter in the progress of the system:

In order that all may understand the *extreme* importance of collecting and remitting payments of members in time to reach this bank *on or before* the date of maturity and not one single day later, I will explain in detail the consequence of not doing so:

1. On the 1st of each month we send report to Washington showing, among other things, the name of each borrower that is delinquent, the association of which he is a member and the date the payment was due. These data serve in the sale of our bonds, finding us an adequate and ready market for bonds at low interest, or the reverse, according to our showing in the matter of payments.

2. The manner in which payments are made by borrowers is such an important factor in this bank's maintaining its credit with the investing world that the Farm Loan Board requires us to take back all notes and mortgages on which any sum remains unpaid 90 days after such payment was due.

3. Since we have not capital to carry many such loans, we have no alternative after our limit is reached but to foreclose and get the farm into the hands of a person who can and will pay promptly.

4. When this bank shall become in position to extend credit to associations as such, as it soon shall, we shall not be able to accommodate such as have not a good record for collecting and remitting promptly.

5. Nor will a member whose record for prompt payments is lacking be able to increase his loan or make another with this bank.

6. This bank may find it necessary to cease making loans through an association whose delinquencies should become such as to effect the credit and standing of this bank and its bonds.

7. Willingness to pay interest at 8 per cent on sums past due, which must be done in every instance, does not authorize delinquencies nor minimize the serious and harmful consequence thereof to all—the borrower, the association, and to this bank, whose credit is dependent upon the prompt and timely payment of each and all borrowers.

HOUSTON BANK STARTS A PAPER OF ITS OWN

The Federal Land Bank of Houston has established a monthly paper of four pages called *Important Items*. In its foreword it says:

"We intend it to be a means of communication between this bank and secretary-treasurers and other officers of national farm loan associations, and between this bank and its appraisers; also a means by which secretary-treasurers and appraisers may communicate with each other."

It is the thought of the bank officials that *Important Items* may be the medium of obviating much correspondence clearing up problems, answering questions, and generally assisting in its quest of the best way of performing its respective functions in bringing the benefits of the Federal land bank to the agricultural people of Texas.

All secretary-treasurers as well as appraisers are invited to make use of its columns for communicating to others such matters pertaining to their respective duties as they may consider of general value and interest.

HOUSTON'S DIVIDENDS

(Continued from page 1.)

tainly we do not need it for making loans at 5 to 5½ per cent interest to farmers who have been paying 6 to 10 per cent. In fact, if lending is all that is desired or to be expected, the farm loan associations and each of the so-called banks might well be dispensed with.

"Persons who were interested in and students of rural problems hailed the coming of this rural credit system not only because it promised cheaper money for the development of agriculture, but they realized the plan was such as to utilize the farmers' desires, necessity, and already fixed habits of borrowing to enmesh him, so to speak, in cooperation with his neighbor to his immediate and unquestioned financial betterment. The lending of money is easy, while the proper organization of these associations is difficult, tedious, and somewhat slow. But these banks can not be considered to have been successfully organized until and unless their local associations have been placed upon a basis and plan of operation which will within itself develop them into giant credit units of cooperative strength and activity. If we fail in this particular, we lose this greatest opportunity a nation has ever had or ever may have of placing its rural folk in relation, one toward the other, which will gradually replace stubborn and hindering individualism with beneficent collectivism, now speeding forward the entire business world.

"So, understanding our problem and opportunity, we planned in the very beginning to enable and compel the local associations to perform their functions. We placed them always in the foreground of the loan business of the bank. Respecting his loan each borrower deals entirely and exclusively with his association. From it he gets his money and to it he makes all his payments. We so arranged it that the payments of all members of each association fall due on the same date. We furnish the secretary-treasurer with bills properly made and ready for mailing by him to each of his members at least 30 days before their due date. These associations are indorsers and as such are entitled to know and see that payments are promptly made by all, and when all pay on the same date there is the leverage of teamwork in procuring payments by each and all members. We accept payment only when sent by the association. We discuss extensions with the association only. In short, we deal with associations; the associations deal with their members. Despite droughts, storms, and floods, we had no 90-day delinquents, except three soldiers who were in France. Despite vigorous competition with farm loan concerns, the associations were sending to us applications for loans of three to four million dollars per month. Loan committees were appraising conservatively and secretary-treasurers were usually prompt in cooperating with the bank in closing loans.

"But in other very essential and important matters, officers and members of these associations were failing. It was but natural for the borrower to consider himself through with the association when his loan had been closed and the money he had paid for stock as a mere expense of the loan. It did not occur to

him that the association by its indorsement upon his mortgage rendered him a continuous service, enabling him to obtain his loan at a lower rate of interest by one-half to one per cent per annum. Members would not attend annual elections nor pay anything toward the salary of the secretary-treasurer. Consequently that officer was disinclined to perform any function not absolutely requisite to closing loans for which he received modest compensation. We had no remedy against this shortcoming until we could begin paying dividends. That event gave us the opportunity, and we utilized it.

"We declared a dividend covering the whole period from the organization of the bank, early in December, but provided the same should be paid the last of January. We did this advisedly. The annual election was to be held the 14th of January, and there were reports for the quarter ending December 31 to be made. When the dividend was declared we sent to each secretary-treasurer a letter notifying him of that fact, but saying further that the check for dividends would not be sent to associations which had delinquents or had not held and reported their annual election of directors and officers, or had not made their report to Washington for the quarter ending December 31. News of these dividends and the conditions upon which they would be available went to the members. Elections were held and attended and reports were made by a majority of the associations. Washington furnished us a list of those failing to report; there were 160. We wrote them, sending forms, because we felt they might have misplaced those formerly sent. We told them to fill out the reports as far as they could and send them to us with request and we would complete them from our records and furnish them with another set of data so that in future they would be able to make their reports promptly from their own records. We have already received and forwarded to Washington 77 of these reports and have others ready to go. As they come in we send the association its dividend check.

"Prior to paying dividends borrowers looked upon their stock as worthless. That stock is now going up. It means something to the owner. It means stock in an incorporated association by means of whose indorsement the owner's interest rate is substantially reduced. It means the cash capital of the Federal Land Bank of Houston required to finance his loan. It means a semiannual dividend of not less than 3 per cent, or 6 per cent per annum. In short, it means pleasing and profitable business in a new and interesting field. The payment of dividends makes officers of associations feel that the concern which they are serving is a real, going concern with success assured. It gives them funds to distribute. After setting aside the required reserve, some have declared dividends to their members. Some have deposited their dividends with this bank. Others have not yet decided what disposition they will make of this fund. Some of our associations have over \$25,000 capital. Many of the larger associations are building up a fund which is used to pay amortization payments of all members promptly and allow members to pay the association at their convenience. They also use this fund to take the second lien, where the loan granted by the bank is not sufficient to pay off the whole.

"Finally, the payment of dividends hushed criticism, opened the eyes of the blind, convinced the doubters, and strengthened the vision and purpose of all members and officers of associations and officers and employees of this bank as to the bigness, soundness, and certainty of success of our rural credit system."

Borrowers under the Federal farm loan system have been prone to regard the 5 per cent of the loan paid for stock in the association as money lost or as expense. Now that the banks are most of them getting on a dividend paying basis they must see that this is not so. Your loan, let us say, amounts to \$2,900. You paid for your association stock \$100. At the rate paid by the Spokane and Houston banks, this will bring in to your association \$6 a year. If your association finances itself out of its new business, this \$6 will come to you in cash. And when you pay off your loan the entire \$100 will come back to you. If your association has \$25,000 in stock, it will receive from it on this basis the sum of \$1,250 a year. Every borrower, therefore, should interest himself in getting new business for his association, and should attend meetings and see to it that his association is properly managed.

REDUCTION OF LOANS

(Continued from page 3.)

that the amount to be recommended will take care of his needs and modify his application accordingly. On the other hand, if the amount is unacceptable, he can withdraw his application and try to secure a loan elsewhere. He is thus not kept in suspense and neither he nor the association need trouble themselves further in the matter. With the inauguration of the fee system by the bank this practice has the additional advantage of saving the borrower the application fee of \$5 and the bank the cost of appraisal and the overhead cost of handling the application.

"We earnestly commend this practice to all our associations. Any sensitiveness on the part of the loan committee or the directors and officers of an association on this score is far-fetched. The association is a neighborhood affair and no one interested should feel any hesitancy in having a frank and open discussion with the borrower in a matter which is so vital to him. It is only fair to the borrower that this should be done.

"Should a reduced amount be acceptable to the borrower, it should be so stated by the loan committee in their report in order that the bank may be fully advised. It must be clearly understood, however, by the association as well as the borrower that neither the Federal appraiser nor the directors of the land bank are in any way bound by the action of the loan committee or the directors of the association or such acceptance by the borrower, and that the loan applied for might be further reduced by the bank.

"What is needed in dealing with borrowers is absolute frankness. We believe that the adoption of the above suggestions will have an excellent effect all around. It will eliminate much of the friction that now exists and the dissatisfaction resulting from keeping a borrower in suspense and possibly making him bear the cost of a Federal appraisal which might otherwise have been dispensed with."

**Questions We Are
Most Frequently Asked**

It was not to be expected that so great and wonderful a thing as the Federal farm loan act should become immediately known generally and understood in its details.

Certain questions are continuously being sent to the several land banks, as well as this Bureau, and as they are all so similar in character the country over the most pertinent are given here below:

1. Question. Explain briefly the principles underlying the farm loan act.

Answer. The underlying principles of the farm loan act are the use of the maximum of credit capital and the minimum of cash capital, with Government supervision to insure safety and confidence.

This reduction of interest is the result, first, of the use of what may be termed credit capital, which costs nothing, as against cash capital, which always costs the earning value of money in the locality of its employment; and, second, by the sale to investors of land mortgage bonds, based on the farm mortgages taken, instead of selling the mortgages and notes themselves to investors, as do farm mortgage concerns not operating under the farm loan act. Both sell the farm mortgages taken to investors. The difference is the Federal land bank sells farm mortgage bonds based upon and equal in amount to the farm mortgages taken, whereas farm mortgage concerns sell the identical farm mortgages and notes themselves.

Because the loans of the Federal land banks are made under Government supervision, upon farms inspected by Government appraisers, and its bonds are issued by authority of a bureau of the Federal Treasury, the investor's confidence in these securities is greater than in the individual farm mortgage and note not so taken, and he will purchase 4½ per cent farm loan bonds equally as readily, or more so, than he will a farm mortgage and note yielding him 6 per cent to 7 per cent, and upon which he must pay income tax.

This explains why farm loans made under the farm loan act are, and always must be, at a lower rate of interest than such loans are, or can be, which are made in any other manner.

2. Question. Why must a borrower take 5 per cent of the amount he borrows in shares of his association? ..

Answer. With that 5 per cent the borrower secures an indorsement on his note of a corporation, namely, the National Farm Loan Association, by means of which he gets cheaper money than otherwise he could by at least a half of 1 per cent per annum. That same 5 per cent, being invested in the stock of the Federal land bank, supplies its requisite cash capital.

This is a very wise provision; the bank has to have cash capital to the extent of 5 per cent of its loans. If persons other than borrowers were to furnish that capital, they would fix the rate of interest; and since they would have no other interest in the bank than dividends on their investment the temptation to make the borrower pay greater interest would always be present. As it is, for each \$100 the borrower owes the bank the

bank owes the borrower \$5. He is not likely to raise the rate of interest on the \$100 he owes in order to get a larger dividend on the \$5 that is owing to him. As long as human nature and the laws of economics remain as they are there is no person other than the borrowers that should own the stock of the Federal land banks. When the borrower pays his indebtedness to the bank the bank cancels his stock and returns to him the money which he paid for it. In the meantime he receives such dividends as the earnings will justify.

3. Question. What is a loan on the "Amortization" plan?

Answer. "A loan that you do not have to pay back," it is sometimes called. It is a loan so arranged that it never comes due unless the borrower defaults in his annual or semiannual payments, which are made up of the interest and a small per cent on the principal; usually about one-half of 1 per cent. The payments of these small annual or semiannual installments for the term of the loan wipes out the debt.

Repayment on the amortization plan insures against loss of the securities through bad luck or maturities of the principal at times when money is tight. A 34½-year loan is so arranged that the bank can not demand payment of over 6½ per cent a year and a borrower has the privilege after five years of paying any or all of his loan. This 6½ per cent reduces the debt gradually until at the end of 34½ years it is entirely discharged.

To "amortize" a debt is to kill, extinguish, destroy it. One can not make an amortization note without at the same time and by the same act executing the sure and certain death warrant of the debt. This is because with the first payment a small savings account is started, which gathers volume from each interest payment until the debt is entirely wiped out within the period of the contract.

How repayment of a debt upon the amortization plan operates may be illustrated by the actual working of the plan now in operation in the 12 Federal land banks. Let us take the case of a farmer who borrows \$1,000. He pays \$65 a year in semiannual payments of \$32.50 each until the loan is discharged. This, of course, is 6½ per cent on the sum borrowed. We commonly say he is paying 5½ per cent interest and 1 per cent on the principal. His first payment is applied as follows: \$27.50 on the interest and \$5 on the principal; interest on the next payment is figured at 5½ per cent on \$995 and is applied as follows: \$27.36 on the interest and \$5.14 on the principal.

Interest on the next payment will be figured on \$989.86 and is applied as follows: \$27.22 on the interest and \$5.28 on the principal, and so on, the application of payments to interest growing less and that to the principal growing greater as they are made, until at the date of the last payment 57 cents pays the interest, leaving \$31.60 to apply on the principal, and the debt is entirely wiped out. The savings account thus started with only \$5 to apply to the principal seems insignificant, but in 34½ years enough is gained thereby which added to the 1 per cent a year paid on the principal liquidates the entire \$1,000; \$32.50 twice a year for 34½ years will have paid \$1,000 principal and \$1,242.47 interest, or an average of \$29 a year on the principal and \$36 a year on the interest. This is

an average of 3.6 per cent interest on the sum borrowed.

4. Question. Will a borrower of a Federal land bank be responsible for the debts of other borrowers? ..

Answer. No. If the association should become insolvent he would be liable for the debts thereof to the extent of 5 per cent of the amount of his loan, but there is no other liability of one member for the debt or obligation of another. This 5 per cent liability is personal. The farm is only responsible for the amount borrowed.

5. Question. Will mortgaging my farm to the Federal land bank prevent my selling it, or any part of it, if I should want to do so?

Answer. Not in the least. There is no limitation on the sale of your land. You may sell it to whom you please, when you please, and need not consult the Federal land bank. However, a loan with the Federal land bank facilitates the sale of the farm. A purchaser prefers assuming a long-time loan with low interest and easy payments to paying cash.

6. Question. Does a farmer have to live on the farm mortgaged to be able to make a loan with the land bank?

Answer. No. Neither does he have to be a farm hand. The rules as to this are about as follows: The borrower must cultivate the land mortgaged, personally or by hired labor. But since he is permitted to pay the wages in a part of the crop, as well as in money, this rule practically amounts to this: The borrower must reserve the right to enter and control his farm and to direct the farming operations, and must exercise such right to the extent of seeing that the soil is conserved, improvements kept up, and that crops are cultivated in good farmer-like manner. This supervision may be exercised personally or by an agent.

7. Question. If I mortgage my farm to the Federal land bank, how long before I can pay off the debt?

Answer. Your note and mortgage will give you 34½ years in which to pay, but they provide that you can pay all or any part of your indebtedness at the expiration of 5 years, or at any interest payment date thereafter. When the borrower wishes to pay before 5 years expire, the land bank will allow him to do so, charging him one-half to 1 per cent per annum for the unexpired portion of the five-year period. This slight sum will enable the bank, without loss to itself, to purchase its own bonds equal in amount with the debtor's payment with which to release the debtor's mortgage.

Up to April 10, 3,712 national farm loan associations had been chartered in the 12 Federal land bank districts, covering the 48 States of the Union.

Happiness is where it is found, and seldom where it is sought.

Every duty we omit obscures some truth we should have known.—Ruskin.

HEALTH AS SECURITY

(Continued from page 1.)

cially upon our farming population—from three of the most readily preventable diseases—typhoid fever, hookworm disease, and malaria—is estimated to be more than a billion dollars a year. In this time, of all times, we can not afford such waste. Anyone in close touch for a considerable period with occurrences in a farming community is apt to know of one or more instances in which a farmer has become practically bankrupt because of an outbreak of typhoid fever in his family. Malaria and hookworm disease, though more insidious in their effects than is typhoid fever, frequently constitute the handicap causing the failure of the business of farming in some of the naturally most productive sections of the United States.

The facts about these diseases are no longer wrapped in mystery. Practical knowledge about measures for their prevention is readily available. Government publications describing in detail feasible measures for the prevention of typhoid fever, malaria, hookworm disease, dysentery, tuberculosis, pellagra, and other preventable diseases may be obtained from the United States Public Health Service—to as full an extent as the congressional appropriations for printing the bulletins make possible—by farmers desiring them.

Typhoid fever, dysentery, and hookworm disease are caused solely by insanitary deposits of human excreta (the discharges from the bowels and bladder). The measures for accomplishing cleanly disposal of human waste matter are simple, are among the very elements of decent living, and are readily within the means of every family living on an American farm. For the farmer who can afford it, the installation of a water-carriage sewerage system in his home is an excellent investment from the standpoints both of comfort and of health protection. For the farmer who can not afford or does not care to invest as much as a sewerage system costs, sanitary privies may be considered. Privies of strictly sanitary type may be provided at costs ranging from \$2 to \$50 or even more. A durable, comfortable, and easily maintained sanitary privy can be constructed for \$25. Different types of sanitary privies are described in Public Health Bulletin No. 68, a publication obtainable from the Bureau of the Public Health Service. For those who do not feel able to install even the least costly type of sanitary privy, the Mosaic method—which is absolutely sanitary and of which the approved modern methods of waste disposal are but modifications—is available. In view of the obvious advantages and the facility of sanitary practice in the disposal of human excreta—so that this potentially dangerous matter will not be scattered about the premises by chickens, flies, drainage, and seepage so as to reach human mouths and human hands and human feet—it is appalling to find the infrequency of such practice at our farm homes.

In the course of the sanitary surveys referred to above it was found that of over 50,000 typical farm homes distributed over a wide range of our rural districts only 1.22 per cent were provided with sanitary toilets—and at some which were properly equipped, the equipment was not used by all members of the house-

hold; at 68 per cent the water supply used for drinking and cooking purposes was obviously exposed to contamination from privy contents or from promiscuous deposits of human filth, and often also to pollution from stable yards and pigsties; at only 32.88 per cent were the dwellings during the summer season effectively screened to prevent flies—having free access to near-by deposits of human and other filth—from entering dining rooms and kitchens and contaminating the foods for human consumption exposed therein. In numerous instances a pond of water of no use and which could have been drained away by the work of one man for one hour would be found near by the dwelling to account for the breeding of the mosquitoes playing an essential part in the causation of the serious annual occurrence of malaria in the household. Cases of tuberculosis of the lungs ("consumption") were found in persons who were staying day and night in poorly ventilated rooms, subsisting largely on "store food" and partaking liberally of some expensive patent medicine advertised as a "consumption cure," and gradually dying because they were not using the effective and abundantly available farm "medicines"—fresh milk, fresh eggs, and fresh air. The striking and highly encouraging finding was that the people in our rural communities, though generally uninformed or misinformed about the salient facts of home sanitation, were willing and anxious to learn them, and having learned the facts they would in a large proportion of instances apply them practically.

One of the conclusions from the studies is that the establishment of an adequate county health organization with a properly qualified whole-time health officer at its head to look after the business of human health protection in the rural county costs much less than it is worth and, therefore, from the standpoint of those concerned with farming and other business interests in the county, is in the nature of a gilt-edged investment. Another of the conclusions, which perhaps will be of more immediate interest to you, is that it is within the power and readily within the means of the individual farmer to carry out on his own place reasonable sanitary measures which will effect a high degree of health protection for himself and his family. Such sanitary measures are (1) sanitary disposal of all human excreta on the place; (2) safeguarding of the drinking-water supply against potentially dangerous contamination; (3) effective screening of the dwelling to exclude flies and mosquitoes; (4) providing adequate window and door space to the dwelling to enable good ventilation of living rooms and sleeping quarters at all seasons; and (5) simple and inexpensive practical proceedings—such as ditching or oiling—needed to prevent breeding of malarial mosquitoes on the premises. The cost of such measures on the average farm would be small while the dividends would be large.

A farmer living on a property on which these essential sanitary principles were observed clearly would be a much better risk under the Federal farm loan system than would be one living on a property on which the common and dangerous insanitary conditions obtained. Therefore, I anticipate you have given this matter of farm sanitation careful consideration from a business standpoint.

"I shall appreciate it if you will inform me what steps the Federal Farm Loan Board has taken and contemplates taking to encourage the establishment and maintenance of reasonably good sanitary conditions on properties on which the board has made loans. I am prompted to ask for this information because the mutuality of interests of the Federal Farm Loan Board and of the United States Public Health Service, as two agencies of the National Government, in this matter of farm sanitation appears to furnish a good basis for advantageous cooperation."

It would be entirely proper for the Federal Farm Loan Board to insist upon sanitary conditions on every farm before a loan is made. No Federal land bank ever wishes to foreclose a mortgage; yet, where any misfortune has so reduced the borrower in ability that he can not possibly pay, measures must be taken for getting back the money loaned him. Sanitary conditions on every farm would render misfortune of this kind much more unlikely. How many farm families are kept poor and in debt by a single case of tuberculosis or by an annual siege with chills and fever? How many farm families are there whose vitality and working ability is kept down to a plane which looks like shiftlessness and laziness by the constant physical drain of hookworm disease? How many families have been ruined by doctors' bills, hospital charges, and funeral expenses?

While the Federal Farm Loan Board has not insisted on definite sanitation measures on farms, the appraisers of the system do make reports as to the health and vigor and industry and the physical efficiency of people who apply for loans, and many loans are cut down with sincere regret because of these facts. It is, therefore, hoped that this letter of Dr. Lumsden will be carefully read and studied in every home and that our readers will send for the bulletins referred to, study them carefully, and take up the matter of farm sanitation on every farm and in every neighborhood as a community matter.

SECOND DISTRICT BRIEFS

The following new associations have recently been formed:

Clarion-Forest County, Pa.
Gilmer County, W. Va.
Dickenson County, Va.
Garrett County, Md.
Montgomery County, Md.
Adams County, Pa.
Huntington County, Pa.
Indiana County, Pa.
Lawrence County, Pa.

Mr. J. A. Frank, secretary-treasurer of the Clearfield County National Farm Loan Association at Curwensville, Pa., has been devoting considerable interest to advertising in his territory, and has printed a circular that condenses the information regarding the working of the entire Federal farm loan system, and in such language that any farmer in need of money would be anxious indeed to make use of the Clearfield County National Farm Loan Association. He has also ascertained through records at the county court office those who may be in need of loans and has personally communicated with them.

ADVENTURES IN FARM MORTGAGE LOANS GUIDED BY UNCLE SAM

Being observations, experiences, remarks, and stories of some who have entered into the Eldorado of low interest and amortized farm mortgages.

WHY FARMERS SHOULD COOPERATE

A Michigan Man Gives His Views, and Tells How the Farm Loan Bureau Can Serve.

Cooperation, coordination, efficiency, readjustment, and reconstruction are a few of the words that have taken on a more important meaning to us since the world war. We are seeing more and more clearly that "man does not live unto himself alone," and that in the larger sense we are our brother's keeper. With these thoughts in mind, Mr. Frederick F. Ingram, of Michigan, has sent the BULLETIN the following letter on his views of cooperation among farmers:

"I have always retained my interest in farm matters; was born and reared a farmer, and am usually engaged in farm operations; have more or less investments in farm property, which I manage with care and thoughtfulness, with the endeavor to help other farmers as well as myself in securing the most possible as a reward for farm investment and farm labor.

"Cooperation is vital to the farmer, and it must be of such kind as to be completely detached from exploiting interest, and as farmers usually are isolated individuals, close communion among them is difficult, so what better medium could exist than the Federal Farm Loan Bureau, to bring them in touch with each other for cooperation?

"The Federal Farm Loan Bureau's activities are of such a nature as to encourage cooperation, because to the farmers it is a central authority, possessing their full confidence and, consequently, influential with them in securing the adoption of cooperative plans that will work out to the benefit of real farmers and not to their exploitation, as so often has happened through some cooperative ventures engaged in by private interests.

"I have always been impressed with the deplorable lack of cooperative spirit among farmers. They usually feel the necessity for it, are free to deplore its absence, but the nature of the business seems to be such as to make coherence among those engaged in it difficult to attain. Much of this perhaps is due to the interests of various kinds that have more or less to do with farmers, using among farmers much propaganda of some kind or another, largely literature that diverts their minds away from real problems and starts them chasing after phantoms, leading them up 'blind alleys,' etc. The farm papers are not always guiltless of a bias that interests them more in the welfare of their advertisers or of other groups of individuals, than they are interested in the welfare of the real farmer, and this becomes identified with the editorial policy of the paper.

"Farmers now, more than ever, are studying their condition by group meth-

ods, consulting with each other, and more detached from and independent of their professional advisers, and it is a most encouraging tendency.

"I think one of the important functions of the Federal Farm Loan Bureau will prove to be its position as a confidant and, in a sense, as a monitor of the farmers. The bureau is removed beyond selfish interests, its credit and reputation depend upon its work, contributing to the upbuilding of farm life. It occupies a particularly favorable position to know the farmers' needs, to warn them of evils and evil tendencies and to show them the right way. As it grows and the farmers realize its value, they will learn to look toward it with confidence and hope."

From the Great Northwest.

The following excerpts are from a letter by Mr. A. D. Davison, an appraiser in the twelfth district. Perhaps it may encourage other appraisers and persons interested in the Federal farm loan system to write the BULLETIN, giving their ideas and observations. Ideas are sometimes valuable, especially when they are the result of experience:

"I have been much interested in the articles that have appeared in the BORROWERS' BULLETIN from time to time, and thought each month I would give some of my views, but the details that are absolutely essential in the work and keeping intelligent records have prevented my doing so.

"Many of the associations that were formed during the earlier months of organization found they had failed to provide sufficient funds to conduct the business at the time of organization, and were compelled to levy assessments to meet the deficit. This often created dissatisfaction, the members saying that they were given to understand that there would be no additional expense, whereas it has been found that when the matter has been properly presented at the time of organization the membership has invariably provided the funds. * * *

"I want to express my appreciation of the BULLETIN and my belief that it is doing a great work by keeping the association members in touch with the entire system. I find that this view is held by the membership at large and that its visits are greatly appreciated. The article, 'Problems of Federal Farm Loan Committees,' is vital and should be read with profit by all loan committees.

"The greater portion of the associations I have visited recognize the importance of having competent judges of land values on their loan committees. Where incompetents have been found a change has been insisted on and in every case has been complied with.

"It is my belief that the Federal farm loan system has more than met our expectations during its brief existence and is now firmly established. Everywhere I go I hear its praises sung, and we have made firm friends of many who were, to say the least, skeptical. We appraisers

have our troubles and annoyances, but we also have our compensations, not the least of which is the knowledge that we are helping with a work that is worth while."

Here is a letter from a man in the ninth district:

"Having borrowed some money through the Federal land bank of this city, I am therefore receiving THE BORROWERS' BULLETIN, and I am glad to get it. I find it full of items of interest to me.

"While I am so situated that I can place ordinary farm loans through three separate concerns, I nevertheless consider the Federal land bank plan by far the most desirable of any ever offered to the borrower, and have no hesitancy in saying so to any prospective borrower.

"It is the cheapest money ever offered on farm loans. Being a borrower I am therefore a member of the local association, and at the last meeting was elected a substitute appraiser.

"I am anxious to push the business as much as possible. I am making up a list of mortgage expirations for myself, and, thinking it might be of benefit to the local association, if THE BORROWERS' BULLETIN was addressed to prospective borrowers as well as to those who are borrowers through the bank, I will hand you with this a partial list of those farmers who have unreleased mortgages against their land, and, if desired, I will from time to time forward without charge additional names.

"If the BULLETIN was forwarded to these addresses, it would probably start farmers to investigating the system of loaning, and therefore ultimately create much new business for the association."

Confine Your Letter To One Subject

The business of the Federal land banks is handled by a number of departments. By this method they are able to expedite their business and give the secretary-treasurers, borrowers, and others better service. You, of course, want to help improve the service and save expense, as these institutions are yours. You can help materially.

When you write the Federal land bank of your district you naturally tell about everything you have in mind at that time, and if you are a secretary-treasurer you may write about a number of different applications, closing of particular loans, abstracts, or other things. When your letter gets to the bank's mail clerks, they have to sort out all the different things you have written about, examine the files, and write memoranda to each department concerned. This delays your business and causes the bank needless expense. There is a better way.

When you write your Federal land bank about several different matters, cover each subject on a separate sheet. Put all the sheets in one envelope and address it to the bank. The clerks can then assign each sheet to the department where it belongs and get action on it at once.

The Borrowers' Bulletin

ISSUED BY THE FEDERAL FARM LOAN BOARD, U. S. TREASURY DEPARTMENT

VOL. 1

WASHINGTON, D. C., JUNE-JULY, 1919.

No. 11

HOW FEDERAL FARM LOANS ARE USED.

More than one-third of the money is used for general development, the balance for refunding old high-rate interest mortgages, thus making farming business more attractive.

The Federal Farm Loan System has during the past two years taken its place among the great financial systems of the world. It now has on its books about one-fortieth of all the farm loans in the United States, and because it offers an opportunity for making loans on a different basis—giving longer time and providing for gradual payment—it has proved a valuable thing for the farmers in most parts of the country. For months during the war it offered the farmers an opportunity for making loans when many of the other great farm-loan agencies were not in position to make loans except in a very limited way. It may be taken for granted, therefore, that it has helped keep down interest rates, not only for the farmers actually using it, but to most other farmers.

The question has often been asked as to what use the farmers are making of the money borrowed through the Federal Farm Loan System. Most people thought that about the only use made of it was to pay off old mortgages. Some people have said that it did not do the farmer or the country much good merely to shift mortgages over from one money-lending system to another, that not much is accomplished for the country by putting the Federal Farm Loan System in the place of the old-fashioned mortgagee.

There are many good arguments on the other side. The farmer who has been paying a high rate of interest and carrying the load, not only of the high rate of interest but the commissions and second mortgages for commissions and at the same time facing the possible demand on him for a payment of the whole mortgage in five years or any shorter period, is likely to think that it helps agriculture a great deal so far as he is concerned, when his load is made lighter and the payment of the mortgage provided for in an annual charge of 1 per cent on the loan with the privilege of payment in whole or in part at any time after five years. Under such circumstances he is able to farm with more confidence, with more ease, with more comfort, and he can use what money he can raise from year to year in developing his business. The fact is that nothing is better for the country than the refunding of every outstanding mortgage debt on long-time, easy terms such as are offered by the Federal Farm Loan System.

But as a matter of fact the farmers are not using all the money for the payment of outstanding mortgages. The Federal Farm Loan Bureau has recently



made a computation covering about \$170,000,000 of the more than \$212,000,000 in loans already made, for the purpose of finding out how much of the money borrowed was used in paying off old mortgages. The result shows that out of every \$100 borrowed through this system \$38 were used for other things than paying off old mortgages. In the district covered by the Wichita bank \$47 out of every \$100 were used for the development of the farm, through such things as fencing, buildings, live stock, machinery, etc., and \$53 for paying off old mortgages. In the Omaha district \$54 out of every \$100 were used for paying off old mortgages and \$46 for the development of the farm.

The following table shows opposite each district the amount of loans granted, the amount applied on old mortgages and the percentage applied:

	THE LIBRARY OF THE		
	Amount of loans granted.	Amount applied on farm mortgages	Per cent.
District No. 1.—Maine, New Hampshire, Vermont, Massachusetts, Rhode Island, Connecticut, New York, New Jersey.....	\$7,282,035	\$4,919,733	68
District No. 2.—Pennsylvania, Delaware, Maryland, District of Columbia, Virginia, West Virginia.....	8,173,648	4,840,485	59
District No. 3.—North Carolina, South Carolina, Georgia, Florida.....	9,662,570	6,207,125	64
District No. 4.—Ohio, Kentucky, Tennessee, Indiana.....	9,749,780	5,533,795	57
District No. 5.—Alabama, Mississippi, Louisiana.....	9,926,436	5,599,103	56
District No. 6.—Illinois, Missouri, Arkansas.....	13,744,211	8,763,715	64
District No. 7.—Michigan, Wisconsin, Minnesota, North Dakota.....	24,154,135	15,859,911	66
District No. 8.—Iowa, South Dakota, Wyoming, Nebraska.....	20,147,910	10,807,431	54
District No. 9.—Kansas, Oklahoma, Colorado, New Mexico.....	9,829,750	5,200,151	53
District No. 10.—Texas.....	20,119,980	13,272,048	66
District No. 11.—California, Utah, Arizona, Nevada.....	10,169,585	6,953,375	68
District No. 12.—Washington, Oregon, Idaho, Montana.....	26,365,481	16,257,007	62
Total.....	169,325,530	104,213,879	62

(Continued on page 4.)

A PLAN WHICH MAY REDUCE TENANCY.

Many farm owners might sell if they knew where to reinvest, getting sure and profitable returns—Here's how.

Is there in your neighborhood a farm the owner of which has left it and gone to town and who would like to sell it and with the money buy something more profitable than the farm? Do you, if you are a secretary-treasurer or an officer of a national farm loan association, know of such instances? Do you know of people who are holding on to the ownership of a farm because they are doubtful as to their ability to make profitable use of the money they would receive by the sale of the farm?

Sometimes people cling to farm ownership because it seems the only safe thing to do. If the farm is sold there is the money to invest. They know that it is safe so long as it is invested in a farm; they do not know of any other safe investment which will be of the right size for the particular pile of money which they realize from the farm. It would seem as if a great many of these people would sell their farms to men who would actually live on the farms and work them as owners if they could be assured of a place where they could put their money so that it would stay put and bring them in as good a return as they receive from the farm, or a better return, with less trouble and less expense generally.

Changing Tenants into Owners.

This article shows how such farms may be transferred from landlords to owners with profit to the man selling the farm and with perfect safety. This can be done by selling the farm and investing the proceeds in tax-free Federal farm loan bonds, which can be had in any amount from \$25 up to a sum equal to the price of any farm in the United States, no matter how large.

Federal farm loan bonds are again to be put on the market at 4½ per cent, tax free. These bonds should receive the careful consideration of the farmers of this country. One of the greatest evils we have from high-priced lands, like those of Iowa, Illinois, and other States, is tenancy. Tenancy is greatly increased by the fact that the owner of a farm, say on account of old age or otherwise, rents it and moves to town. He is afraid to sell the farm because he realizes that as long as his money is in the land it is safe, and he realizes that not being, in many cases, a business man, if he sells the farm and invests the money there is a great possibility of losing it. Rather than take that risk he rents his farm.

War Inflates Values.

Before the outbreak of the war farms were rented for cash rent, and in the

high-priced lands of Illinois and Iowa this cash rent netted the owner less than 3 per cent. Since the war broke out, however, profits from the farms often being larger and the farms being rented on a yearly basis, many of the owners changed from a cash rent to a share-rent basis, and for the last year or two have been receiving in some cases above 5 per cent interest on their investment instead of the 3 per cent in cash rent. The consequence is a great inflation in the value of the lands, for farms at present are being rated as to value largely on what the owners are getting from them in the way of income. Just as soon as agricultural products settle down again to something like a normal basis there is every probability, if times tighten up, that the owner will be forced to go back again to cash rent; but he will go back to a cash rent which, if based on the present inflated price of land, may not net even the 3 per cent that it did in 1914. In addition to this, the land will have been even more depleted in fertility than in 1914, as the incentive of big prices has kept land continuously in grain crops with less sown to legumes, so that although the owner has received larger returns on a share rent during the war, he will eventually suffer from a run-down farm.

Bonds Work While You Sleep.

It would pay many of these farm owners to sell them and invest their money safely elsewhere; and it would seem, if they knew where their money could be placed safely, many farms would be sold to actual farmers, and tenancy thus might be reduced. Federal farm loan bonds at 4½ per cent, with the security they have back of them, are just as safe as Government bonds.

Many farmers and farm owners have large deposits in banks bearing only 3 per cent interest, left there because they have confidence in the bank. If they choose to invest this money in Federal farm loan bonds drawing 4½ per cent, they may do so with perfect security.

Money invested in Federal farm loan bonds is just as secure as it can possibly be in any farm. Farms may rise in value or may fall. It now looks as though land had gone about as high as it can go in most parts of the country. We are facing an era of labor shortage and high wages, and these influences never help the price of land. Nobody can look forward, however, to any time in the future when the money invested in farm loan bonds will buy less in any kind of goods or in land than it will buy now. The prospects are that such money will buy more of all these things than it will buy now; and the interest is absolutely secure at 4½ per cent, and the security of the principal is ample.

Security Behind These Bonds.

Each Federal farm loan bond is secured by all the resources, not only of the Federal land bank which issues it, but of all the other Federal land banks. The 12 Federal land banks of the United States are all liable for every Federal farm loan bond issued. These banks are already great institutions. Starting a little over two years ago with \$9,000,000 capital, they now have capital stock aggregating \$20,000,000. Three of them have already paid dividends to their stockholders,

almost all of whom are farmers. Two more will pay dividends in the immediate future, and three others are almost ready to pay dividends. They are beginning to pay back to the Government the money which the Government furnished for their capital stock. They are big, sound, strong financial institutions, under careful management and strict Government supervision, and are gradually coming to be owned cooperatively by the farmers of the country.

But these resources are not the only security for Federal farm loan bonds. Each issue of bonds amounts to \$250,000, and before the bank can issue the bonds it is required to deposit farm mortgages to the amount of more than \$250,000. Each of these is a first mortgage upon land worth at least twice as much as the face of the mortgage. As a matter of fact the mortgages do not average more than about 40 to 45 per cent of the value of the land, and in some parts of the country the Federal land banks thinking that the price of land is too high, will not loan over one-third of the selling price of the land. No bond, therefore, not even a United States Government bond, can be more safe or secure.

Money invested in Federal farm loan bonds will be taken by these banks and loaned to farmers, so that the whole operation benefits not only the farmers who buy the bonds but those to whom the money will be loaned. In addition, these bonds are always readily marketable, if the farmer wants the money, and are acceptable security at any bank if he wants a temporary loan.

These bonds may always be had in exactly the amount which the farmer or landowner wants. If he attempts to loan his money out to farmers direct, he often has difficulty in finding a borrower who wants to borrow the exact amount he has to loan, and he has to look after his collections of interest, and has the bother of reloaning the money when it is paid. Furthermore, he has to pay taxes on it, but he does not have to pay taxes of any sort on money invested in Federal farm loan bonds. These bonds are a much more convenient sort of property to have than farm mortgages. It will stay invested. These bonds run 20 years, and when they are paid there will be no difficulty in getting other Federal farm loan bonds to take their places. The system is a permanent one and is issuing a constant stream of these excellent bonds.

Attractive For Small Investor.

These bonds should be bought, too, by people who are saving money, even in small amounts. Any person who can save \$25 a month can buy with it a \$25 bond. It is rather hard to find any kind of good bond in a denomination under \$500. Any young man or woman who will buy every month a \$25 Federal farm loan bond, applying the interest on the bonds, as it comes due, to other bonds, will in 10 years have money enough to make a 50 per cent payment on a good farm of his or her own. Federal farm loan bonds should be made the foundation stones of saving. We should like to see "Federal farm loan bond" a household word, representing the thing to be bought whenever possible, by people who are accumulating money for any purpose.

Do not let go of your Liberty bonds. Whenever you get hold of a good bond, keep it. Drive from your door every person, no matter how good a friend, who tries to wheedle you out of your Liberty bonds by trading you any other kind of security for it. Buy more bonds, and when you do this you will find no bond more attractive than Federal farm loan bonds. For the man who does not work his farm these bonds are better property than the farm—better for the man and better for the farm.

Tenancy a National Evil.

If you are interested in the Federal Farm Loan System, in the reduction of land tenancy, in the prosperity of your association, look about you for customers for Federal farm loan bonds, and write to your Federal land bank for the bonds and information about them.

The whole country is injured by the vast number of farms which are passing into the hands of tenants. Have you done any figuring on plans by which these farms may be sold to the benefit of your neighborhood, of your association, and of the land itself? Tenants who have plenty of equipment and can find an owner willing to sell, may often work themselves into the ownership of a farm in this manner: Let the owner sell the tenant the farm, taking as payment whatever cash the tenant can raise; let the tenant then make a Federal farm loan mortgage for as much as the bank is willing to loan—50 per cent of the appraised value of the land; let him pay this money over to the owner of the land, who can then invest it in Federal farm loan bonds and get an income from it of 4½ per cent per annum, free of all taxation; let the owner then take a second mortgage for the unpaid balance, giving the tenant plenty of time to work out of the deal. The tenant having 35 years on his first mortgage at a reasonable rate of interest, will be able to handle both it and the second mortgage if the selling price is fair. So far as the first mortgage is concerned the former landowner need not be uneasy about that, because under the amortization plan of the Federal Farm Loan System it grows smaller year by year; and if misfortune should come upon the purchaser of the land the former owner may then choose between two courses: He may take the land under his second mortgage and assume the first mortgage, or he may sell his Federal farm loan bonds, pay off the first mortgage, and have the farm clear again. The whole transaction is perfectly safe, and with good management the tenant gradually works himself into the position of an independent farmer who owns his farm.

The farming population of the United States, counting in owners of land who might profitably sell, might absorb with benefit to itself every farm loan bond issued by the 12 Federal land banks in the United States; and if this subject be taken up and discussed and worked out consistently this condition of affairs may eventually be brought about.

When you have finished reading this BULLETIN kindly hand it to a neighbor who is not a member of your association. He may be interested.

Buy a Federal Farm Loan Bond.

ASSOCIATION ACTIVITIES AND NEWS NOTES.

The secretary-treasurers of the national farm loan associations are important factors in the operation of the Federal Farm Loan System. There are now over 3,700 of them—quite a good sized townful. Recently the office of the BULLETIN asked the Federal land banks to tell our readers something about their large and prosperous associations, and herewith we publish reports from a number of the banks. It is only natural that some should outrank others in size and success, many reasons contributing thereto, such as topography, geographical location, nationality, distance from railroads and neighbors, and character of farming. But nearly everyone likes to hear about successes, even though they may not be close to home. We expect to tell of other thriving and splendid associations in subsequent issues. It will be noted that county agricultural representatives have been particularly helpful in organizing farm loan associations in Pennsylvania. They have also been somewhat active in other parts of the second district, and also in Illinois.

Second District.

Pennsylvania has taken an active interest in forming national farm loan associations in counties that were not receiving the benefits of the Farm Loan Act. The department of agricultural extension of the Pennsylvania State College, through the county agricultural agents, is taking a prominent part in this work. Bankers, business men, and members of the farm bureaus are giving encouragement and spirit to the movement. It is evident that when a farmer can secure money on terms as offered through the national farm loan association he is in a position to carry out the recommendations made by the county agricultural agent. Considerable publicity is given to the proposed date of forming an association. The meeting is called at some central point and a representative of the Baltimore bank is present to fully explain the Federal Farm Loan System. The following associations have recently been formed in Pennsylvania, as reported by the secretary, Mr. C. R. Titlow:

Tioga County.—Two public meetings were held at Wellsboro, on March 28 and April 15, securing 50 members with applications for \$140,500 of loans. Mr. Perry, the county agricultural representative, actively assisted in forming this association. In order to serve these people promptly, the bank sent two men to make the appraisements in the county. A letter recently received from this association states that there is great enthusiasm among the farmers over the helpful service they have received, and that it is probable that applications amounting to \$250,000 in loans will be forwarded to this bank within three months.

Chester County.—At the call of Mr. Olmstead, the county agricultural representative, a meeting was held at Bellefonte, and an association was organized, asking for \$86,000. Appraisements have been made, the charter secured, and loans are being closed. This is a fine agricultural section, and the personnel of this association is unusually good.

This BULLETIN is issued for free distribution to all borrowers or prospective borrowers under the Federal farm loan act. It contains some observations based upon the early experiences of the Federal land banks which may be helpful to those who borrow later. It is intended to impress upon the borrower the necessity for uniformity and promptness of action, and suggests ways to eliminate needless delays in the making of loans. Additional copies may be had by addressing the Federal Farm Loan Bureau, Treasury Department, Washington, D. C.

Berks County.—On May 3 an association was organized at Reading. A meeting and luncheon of farmers, business men, and bankers was held, at which a Federal land bank representative discussed the formation of an association. An organization was formed with \$50,000 of applications. The county agricultural representative, Mr. Adams, assisted the farmers in forming the organization and preparing their applications. Appraisements were made on May 12.

Bucks-Lehigh Counties.—The Quakertown National Farm Loan Association of Bucks County, in order to be helpful to the farmers in their neighboring county, petitioned to have their charter amended to include the county of Lehigh. The name was changed to the Bucks-Lehigh National Farm Loan Association.

Cumberland County.—An association was organized at Carlisle on April 12, through the cooperation of Mr. Edinger, the county agricultural representative. This county, like Berks, is in a fine agricultural section.

Columbia-Montour Counties.—Through the activities of Mr. C. W. Dickson, an association, with headquarters at Bloomsburg, was formed, and Mr. Dickson became the secretary-treasurer of the association. Charter for this association will include Montour County. The farmers of this section all speak in highest terms of the practicability of the system.

Armstrong County.—A good strong association was organized on April 29 through the cooperation and aid of Mr. Yerget, the county agricultural representative, at Kittanning. Appraisements were made in this association on May 8.

Prince George County.—This Virginia association has added to its territory the counties of Surry and Sussex, and is manifesting a fine spirit of cooperation with the farmers of adjoining counties.

Rockbridge County.—This association, of Lexington, Va., has published a six-page folder, setting forth briefly the plan of securing a loan through that association. The secretary-treasurer and officers of the association are endeavoring to serve every worthy farmer in the county.

Fourth District.

Mr. Walter Howell, president of the Federal land bank of Louisville, has sent the BULLETIN a word picture of several national farm loan associations in his district. His descriptions of and conclusions regarding them may bring to mind "good" and "bad" associations in other districts. Our readers, including secretary-treasurers and borrowers, are invited to tell of successful associations in their neighborhoods, and to what they attribute these successes; also why associations sometimes fail. Mr. Howell thinks he has discovered the secret of prosperous associations. Here is his story:

"I believe the secret of success for national farm loan associations is 'a live secretary-treasurer.'

"I glance over the record of an association that has just been liquidated and I find that it required 11 letters to the secretary-treasurer and the president before the association's charter was returned for cancellation. I find that it took 6 letters to get a reply concerning the last annual meeting, and then only to learn that it had not been held, because the secretary-treasurer was too busy."

"I find this same secretary-treasurer taking exceptions to our request for a report and ignoring all suggestions for the betterment of the association. A surrendered charter was the result—and all because the secretary-treasurer failed to see the association work in its larger aspect of service to the farmers of his community."

"Then I look at the record of one of our most successful associations—the Elkhart County National Farm Loan Association, Goshen, Ind. I see that 125 loans have been closed to date (May 5, 1919), aggregating \$463,600—nearly a half million dollars to the farmers of Elkhart County. This association was chartered July 3, 1917, and began business with 28 members, who applied for loans aggregating \$78,000. Again the secretary-treasurer is largely responsible, but in what a different way. The name of this secretary-treasurer is Harry E. Vernon, a young, snappy, businesslike attorney of Goshen, who has put his heart into the association work and, as a result, has extended the benefits of our wonderful system to every corner of the county."

"Nearby is another thriving association—Delaware County National Farm Loan Association, Muncie, Ind.; W. J. Clark, secretary-treasurer. Particular interest attaches itself to this association, because Mr. Clark is president of a bank—Farmers Savings Bank, of Muncie, one of the city's most substantial financial institutions, catering especially to the farmers of the county. As the result largely of Mr. Clark's personal efforts his association has 105 members, with closed loans aggregating \$450,000. This is one of the early associations to be formed, its charter being issued May 14, 1917. Mr. Clark was one of the far-sighted bankers who realized that a national farm loan association could be of greater service to the county and in a more unlimited way than any one bank."

"Here we have two prominent and busy men who found time to build up the two strongest associations in the State of Indiana, while our friend of the defunct association was located in a small community where the demand upon his time could not have been in any measure as great as either of the above."

"So I maintain that the success or failure of an association depends almost altogether on the attitude of the secretary-treasurer. The experience of this bank with hundreds of associations proves it."

Fifth District.

President Davis, of the New Orleans bank, presents some of the leading associations in his district, as follows:

The three principal parts of a wheel are the hub, the spokes, and the felloe. The three principal factors of a national farm loan association are the secretary, the members, and the local attorneys. Just

(Continued on page 5.)

FARM LOAN DIRECTORY.

A column of boiled-down information about the Farm Loan System, its organization and personnel.

Location: Treasury Department, Washington, D. C.

Members of board: CARTER GLASS, Secretary of the Treasury and chairman ex officio; GEORGE W. NORRIS, farm loan commissioner; HERBERT QUICK, W. S. A. SMITH, and CHARLES E. LODDELL.

Secretary: W. W. Flanagan.

THE FEDERAL LAND BANKS.

District No. 1.—Springfield, Mass., serving the States of Maine, Massachusetts, Vermont, New Hampshire, Rhode Island, Connecticut, New Jersey, and New York.

District No. 2.—Baltimore, Md., serving the States of Pennsylvania, West Virginia, Maryland, Delaware, Virginia, and District of Columbia.

District No. 3.—Columbia, S. C., serving the States of North Carolina, South Carolina, Georgia, and Florida.

District No. 4.—Louisville, Ky., serving the States of Indiana, Ohio, Kentucky, and Tennessee.

District No. 5.—New Orleans, La., serving the States of Louisiana, Mississippi, and Alabama.

District No. 6.—St. Louis, Mo., serving the States of Illinois, Missouri, and Arkansas.

District No. 7.—St. Paul, Minn., serving the States of North Dakota, Minnesota, Wisconsin, and Michigan.

District No. 8.—Omaha, Nebr., serving the States of Wyoming, Nebraska, South Dakota, and Iowa.

District No. 9.—Wichita, Kans., serving the States of New Mexico, Kansas, Colorado, and Oklahoma.

District No. 10.—Houston, Tex., serving the State of Texas.

District No. 11.—Berkeley, Calif., serving the States of California, Nevada, Utah, and Arizona.

District No. 12.—Spokane, Wash., serving the States of Idaho, Washington, Montana, and Oregon.

These banks are engaged in lending money to farmers on first mortgages on farm lands at a rate of 5½ per cent. The mortgages are repayable on the amortization or installment plan through periods ranging from 5 to 40 years. Loans may be made up to 50 per cent of the appraised value of the land plus 20 per cent of the value of the permanent insurable improvements for approved agricultural purposes.

A farmer desiring to become a borrower should address a letter of inquiry to the Federal land bank of his district asking for the name of the farm loan association nearest him, or for papers to enable him to organize an association if none has been organized in his community.

HOW LOANS ARE USED.

(Continued from page 1.)

It will be seen by a study of this table that the highest percentage used for the retirement of old mortgages was in district No. 1, composed of New England, New York, and New Jersey; and in district No. 11, composed of California, Nevada, Utah, and Arizona. In each of these districts \$32 of each \$100 were used for other purposes and \$68 of each \$100 were used for retiring old mortgages.

A study of this table will show to any one that the Federal Farm Loan System not only renders life easier and more comfortable for the farmers who retire their old mortgages, but that it also enables them to invest considerably more than a third of the money they borrow in things to make the farm more profitable, and to stimulate all lines of business in the neighborhoods where the loans are used.

\$11,342,855 PAID OUT TO FARMERS ON MORTGAGE LOANS IN MAY BY FEDERAL LAND BANKS—\$13,672,065 IN APRIL.

During the month of May, 1919, \$11,342,855 was loaned to 3,683 farmers of the United States by the Federal land banks on long-time first mortgages, according to the monthly statement of the Farm Loan Board. The Federal land bank of Omaha leads in amount of loans closed, \$1,896,900, with the Federal land bank of Houston running second in amount, \$1,500,490. The other banks closed loans in May as follows: St. Louis, \$1,111,780; Spokane, \$1,037,640; Louisville, \$1,001,100; New Orleans, \$1,000,250; Wichita, \$865,900; Columbia, \$801,045; St. Paul, \$750,200; Berkeley, \$507,000; Baltimore, \$501,250; Springfield, \$369,300.

On June 1 the total amount of mortgage loans closed since the establishment of the Federal land banks was \$223,311,766, numbering 87,816 farmers. During May, 6,204 applications were received asking for \$20,354,620. During the same period 5,944 loans were approved, amounting to \$17,608,080. Altogether 196,865

have applied for loans under this system, aggregating \$529,497,980.

The grand total of loans closed is distributed by Federal land bank districts as follows:

Omaha	\$31,287,490	New Orleans	\$15,559,005
Spokane	31,009,230	Louisville	14,945,500
St. Paul	29,314,900	Berkeley	12,056,700
Houston	23,599,971	Columbia	11,479,160
Wichita	20,465,600	Baltimore	8,204,200
St. Louis	17,125,655	Springfield	7,864,235

During April \$13,672,065 were loaned to 3,525 farmers distributed as follows: Omaha, \$3,007,200; Houston, \$1,500,540; Spokane, \$1,390,600; Louisville, \$1,229,700; Wichita, \$1,086,800; St. Paul, \$1,023,000; New Orleans, \$1,005,765; Columbia, \$1,003,770; St. Louis, \$1,001,530; Berkeley, \$558,200; Baltimore, \$469,100; Springfield, \$395,950. In the same month 6,543 applications were received asking for \$21,866,467, and during the same period 5,640 loans were approved, amounting to \$17,022,361.

LOANS WITHOUT EXPENSE TO ARMY AND NAVY MEN

The Mecklenburg County National Farm Loan Association of Chase City, Va., recently passed the following resolution:

Resolved, That during the year 1919 all men who served the United States in uniform be assisted by this association in obtaining money from the Federal land bank without expense to them; that is, the association fee, the secretary-treasurer's fee, the appraisal fee, and the abstract of title fee will not be charged.

The Federal land bank of Baltimore fully approved this patriotic act, and as an expression of appreciation of the services of our soldiers and sailors has passed a resolution eliminating all appraisal fees to those who were enlisted in our Army and Navy, and who may make application for loans on or before January 1, 1920.

During May the number of farmers applying for Federal farm loans in the Baltimore district increased 86 per cent, and the amount of money requested was increased 56 per cent. This showing is due to the organization of national farm loan associations in 21 counties since February. County agricultural agents deserve much credit for these organizations. During May loans applied for at the Federal land bank of Baltimore was 73 per cent more than the total of the applications for May, 1918.

He has lived to little purpose indeed who has not long since realized that wealth and renown are not the true ends of life.—*Greeley*.

HEALTH GREATEST ASSET OF MANKIND.

A western borrower describes his plan of protection against preventable illness—Five neighbors follow his example.

Good health as a security for loans was a new thought to many of our readers as evidenced by letters that have been received by THE BORROWERS' BULLETIN, called forth by the article on the subject in the April-May issue. One farmer called it an eye opener, and a man who has had much experience in farm-loan business said it was one of the most important topics ever published by the Farm Loan Board. Nearly all of the letters expressed appreciation for having had the matter brought to the writer's attention. Space will permit the publishing of but one letter, which is as follows:

"Your article on 'Good health as a security for Loans' is most interesting and timely. There are some of us who realize fully the importance of true sanitation on our farms.

"The principal reason why sewage disposal is not established on farms is ignorance of how little it costs and how easily it can be done. My experience has been that where running water is available, and that is most places, either from natural springs or from tanks where the water is pumped from a well, no man is too poor to have a perfected system that will dispose of the waste from his house and surroundings. Some years ago we established septic tanks for this, placed inside a toilet and bath, and have found that, aside from the plant for the water supply and the fixtures for the bathroom, there can be placed a septic tank that will care for a family of six persons at a

(Continued on page 6.)

ASSOCIATION ACTIVITIES.

(Continued from page 3.)

as a wheel rests upon its hub, so does an association depend upon its secretary. The spokes run from the hub to the felloe, and the applicants file their applications through the secretary, and then go to the attorneys for the preparation of their abstracts. The felloe of a wheel encircles the spokes and completes the wheel, and the local attorneys by rounding up the abstracts and closing the loans complete the work of the association. The turning of this great wheel has turned many an unproductive, taxable burden into a high-class revenue-producing farm. The running of this wheel has put many a rundown farm in a higher state of cultivation.

The welfare of the association is primarily in the hands of the secretary. If he is energetic and conscientious the association is almost sure to be a success. Unfortunately, it sometimes happens that the secretary does all in his power to further the ends of the association, but the attorneys are procrastinative and careless in the preparation of the abstracts, which necessitates the bank's returning the abstracts for the necessary corrections, and consequently the applicants become discouraged, and in a short time the whole association is demoralized. Just as the success of a corporation naturally reflects the efficiency and ability of its executives, so is it that the success of a national farm loan association is one of the best evidences of the capacity and energy of its officers.

In the fifth Federal land bank district, where this wheel has been turning misfortune into prosperity, over 100,000 farmers have received loans aggregating practically \$15,000,000. Up to April 30, 1919, the farmers of Mississippi had taken the lead in this district, 5,859 Mississippians obtaining loans amounting to \$7,085,970. Alabama was second with \$4,662,145 loaned, 2,951 farmers, while 1,831 farmers of Louisiana secured some \$2,810,640.

The Alabama National Farm Loan Association can boast of having received the largest sum loaned by this bank to any one association, to wit, the sum of \$350,000.

The Covington County Association of Mississippi has 350 members, being the largest membership of any association in our district. Five-sixths of this number have received checks amounting to over \$150,000.

The Clay County Association, of Mississippi, has paid \$299,075 to 103 farmers, this being the greatest sum paid through any association in Mississippi. The Madison County Association, of the same State, is a good second to the Clay County, 90 of its members having secured \$239,320.

Turning to Louisiana we see that 59 borrowers, through the Ouachita Valley Association have obtained \$175,175, or nearly \$3,000 apiece. The St. Maurice Association, with a membership of some 350 farmers, lent \$160,000 to 150 applicants.

There are other associations in this district that deserve mention because of their splendid work and resultant success, but space has forced us to be confined to the leaders above referred to.

Sixth District.

The St. Louis bank has a number of large and prosperous associations, but President Danforth mentions only three—one for each of the three States of his district. He says:

"The Butler County, Mo., Association was among our first. Its secretary-treasurer, Mr. Randall, is amply compensated. He also handles a little insurance. On May 1 it had 267 applications, aggregating \$537,560, and had closed 158 loans, aggregating \$334,840, with 29 loans pending.

"The Jonesboro Association, of Jonesboro, Ark., was organized through the efforts of Mr. Pettie, president of the Bank of Jonesboro, who is also the association's secretary-treasurer. It has received 210 applications, aggregating \$572,850, has closed 207 loans, aggregating \$290,200, and has 35 loans pending.

"The Kankakee Association, of Kankakee, Ill., was organized through the efforts of the county agent, Mr. John S. Collier, December 18, 1918. It has received 33 applications, aggregating \$267,250, closed loans aggregating \$117,950, and has 7 loans now pending. Mr. Collier receives no salary whatever as secretary-treasurer. We understand he collects just sufficient to cover the expenses."

Tenth District.

The Houston bank has quite a number of thriving associations, but none which stand out more conspicuously than the Capital City, of Austin, which has loaned up to April 30, the sum of \$490,000; the Corsicana, aggregating \$458,790; and the Hereford, aggregating \$425,545. President Gossett describes them thus:

"The first is in central Texas in the black land belt, the second is in north-central Texas, also in the black land belt, and the other in the northwest, or Amarillo, section. Austin and Corsicana are in a general farming territory, and Hereford is in a stock farming section where high-grade cattle, wheat, and feed crops are the prevailing activities. The reasons for successful associations at these points are found in the fact of proven development, a safe standard in values, and active secretary-treasurers.

"We have several other associations approaching \$400,000 in volume of loans, and in all instances live, capable secretary-treasurers who receive fair compensation for services rendered contribute largely to the successful conduct of the associations' business, and thereby render easy the work of this bank and the prompt closing of loans after applications are received."

Eleventh District.

President Joyce writes: "It is rather difficult for me to say anything about a particular association, as most of them work alike, with a splendid uniformity. The Fowler Association is our largest and most prosperous one. This is in a fruit-growing community and the principal crop is raisin grapes. Mr. A. J. Hettinger, the secretary-treasurer, has recently retired from active business and is devoting nearly all of his time to the duties of his present office. He is imbued with the spirit of philanthropy and cooperation, has made a close study of the act, and is an efficient and public-spirited man."

Mr. Joyce has sent the following, which is quoted from a letter received from Mr. Hettinger:

"We are located in a rich and prosperous country, settled first about 40 years ago, hence tried and proven. At present we have 94 members, to whom there has been paid \$395,600 on closed loans, and applications amounting to about \$50,000 are lodged with the bank in the process of closing.

"I wish to emphasize the fact that the spirit of harmony and earnest endeavor for the success of our association pervades all our directors' meetings. It is a pleasure to think back to these meetings, many of them lasting two hours and over.

"Of course, we were delighted to get our own loans through and also to wish that every borrowing farmer should share the same benefit, so we set out our work to that end, and I think the process is much the same in all successful associations: First getting your local paper interested. In our case the paper was enthusiastic from the start and helped us not a little in spreading the good news. We adopted a policy of education and liberal advertising, believing that if the borrowing farmer's attention was drawn to the great benefit of a Government-supervised loan he would avail himself of the opportunity, and we found that we were right in this. One of our old and respected members objected to our advertising and protested to one of our directors. Recently I had the pleasure of writing this member that a widow had made application for a loan to pay off a mortgage bearing 10 per cent. Inasmuch as she lived some distance from Fowler I inquired how she had learned of our association, and she replied that she had read our advertisement.

"One thing I made it a point to do, and which I steadfastly adhere to, that is, to bring to the attention of the board of directors all vital correspondence and circulars from our Federal land bank and all bulletins emanating from President Joyce; hence our directors are conversant with the rulings of the bank, and we can move forward as a body in all progressive work.

"To be fair, I must state that our Federal land bank has exercised great care in guiding and directing us in our work, and if every Federal land bank is as painstaking in answering correspondence as our bank, the secretary-treasurers would feel as I do—amazed and pleased with the attention given to all of our inquiries.

"So in conclusion let me say that I am convinced the Government has made good in giving us the Farm Loan Act; the board at Washington has made good in putting the act in operation; the Federal land banks have made good in directing the associations, and now it is up to the associations to do the field work, making all this effort effective. Upon the secretary-treasurers no little responsibility rests to see that associations grow and progress as they should."

Twelfth District.

Large associations are more frequently found in the Spokane bank district than in the districts east of the Mississippi River—the growing of fruit and wheat being very important industries. President O'Shea, however, mentions only two, but he speaks of them in such glowing terms and with such a high sense of appreciation that it should make all the

THE BORROWERS' BULLETIN.

others feel proud to belong to his district. His review is as follows:

"We have two farm loan associations, each having 188 qualified members, one with a capital stock of \$22,375—the other with a capital stock of \$17,917.50. The larger association, the *First of Eugene*, Eugene, Oreg., received from us a dividend check in the sum of \$959.98, in payment of the dividend earned on the stock of its members computed up to December 31, 1918.

"This association serves an excellent and desirable territory in the Willamette Valley and has had substantial and continuous growth from the beginning. The affairs of the association have been conducted along safe and intelligent business lines; its officers are capable, painstaking, and attentive to the business of the association; its securities have invariably been carefully scrutinized by the loan committee of the association and by its directors. This may be said to be a model national farm loan association for the northwest district; its success is assured; the direct and indirect benefits which have come to the farmers of its district through its activities can scarcely be measured in dollars; and we confidently expect further continued growth and added usefulness in fulfilling its mission and discharging its duties.

"The directors of this association have had experience in financial matters and bring to the consideration of their duties a general knowledge of their locality, together with an earnest desire to extend the service and business of the association. Invariably loan applications filed through this association reach us complete and properly drawn with such careful response to the questions in the application forms as to impress one with the conviction that the applicant is making correct and dependable statements as a basis upon which his application should receive consideration. The secretary-treasurer of this association is always prompt to respond to inquiries, and he gives careful attention to the many details necessary to the completion of loans, to securing the proper and prompt execution of mortgage papers, and to aiding in retiring former encumbrances and liens. Oftentimes complaints of delays in the procedure of the Federal land bank, when traced, are chargeable to the interminable delays that frequently occur in securing replies from officers of national farm loan associations to simple correspondence, which, if it received reasonably prompt attention, could easily be disposed of.

"The second association mentioned, *The Cottonwood*, of Havre, Mont., having also a membership of 188, is located in a district where crop conditions have been exceptionally unfavorable in 1918. The settlement is a newer one than the other and farmers have less accumulations and are less able to withstand an unfavorable season. In this locality an immense area was cultivated and extraordinary efforts made to plant a large acreage. If the season had been favorable the reward would have been great, but a wholly unfavorable crop season coming at a time when the prices of all products were the highest in the history of the Northwest, aggravated the situation for him whose crop had failed.

"Notwithstanding the adverse seasons there, and after we had deducted from the dividend due to this association the

few delinquent amortization installments of its members, it received a substantial dividend check from us, and did not have, following the adjustment of the dividend in March, a delinquent member whose payment had matured before the first of that month. This is a record that we believe is exceptionally deserving by reason of the local conditions that prevailed and one for which the president and officers of the association are deserving of much commendation and approval.

"We are convinced that this association in normal times will develop into one of the most active and substantial associations in our district, bringing to the farmers there—who in the past have borne the burden of the highest interest rates in the Northwest—reliefs and advantages that will enable them in a comparatively short time to become financially independent and the arbiters of their own fortune."

HEALTH IS GREATEST ASSET.

(Continued from page 4.)

cost in cash outlay of not to exceed \$25. I made two of these, doing the manual labor in the evenings and Sundays myself, and have preached the gospel of cleanliness ever since. Through this there has been established so far only five other similar sewage systems in this vicinity, although there are some others who have promised to 'look into the matter.' The system used is simple. Only a concrete box with proper intake and outlet, described in a small book which is advertised and sold for a small sum which gives in detail instructions and illustrations for the construction of these tanks for families of different sizes.

"If this information could be gotten to the public there might be many more who would avail themselves of this great need of farmers. We all know that farmers as a class are careless of their personal cleanliness, and where there are available bath facilities with hot and cold water the average person will be much more likely to use them, which will add not only to his health but to his efficiency in every part of his work. In addition to the farmers, who are not by any means the worst abusers of decency, there is the small town. Everybody knows that they are as a rule the dirtiest, worst smelling, unsanitary places on earth. Something should and must be done. The Farm Loan Board can do much to help. Let them notify present borrowers that sanitary measures must be taken and insist that this also be done before new loans are made.

ROBERT A. RODGERS,
"Canille, Ariz."

Mr. Rodgers's letter is an encouraging report of progress in farm sanitation. The system of waste disposal described has a wide range of applicability. Such improvements furnish health protection, add much to the comfort of farm life, and markedly increase the value of the property. Strange as it may seem, the investigations of the United States Public Health Service show that the sanitation conveniences, among even the most prosperous farm homes, are very limited when they are not entirely absent. Mr. Rodgers is correct in his statement that the cost of installing a sanitary sewage disposal system is within the means of the average farm owner. The entire cost, in-

cluding the installing of running water, bath fixtures, septic tank, and drain tiling would be less than the cost of the average automobile used by the farm family. Often a year's expenses for doctor, nurses, and hospital care cost more than the permanent prevention of such illnesses.

A detailed description of septic-tank construction and operation can be found in Bulletin No. 57 of the United States Department of Agriculture, entitled, "Water supply, plumbing, and sewage disposal for country homes," copies of which may be obtained by sending to the Department of Agriculture at Washington.

The fact that the example set by Mr. Rodgers was followed by as many as five in his neighborhood is an encouraging indication. If such a proportion of "takes" should follow the Public Health Service demonstration work in rural sanitation which has been and is being conducted, the health conditions to which the people of our rural districts are entitled will be realized rapidly.

For good or evil you are the product of your yesterdays.—H. K. Webster.

SEMI-ANNUAL STATEMENT.

Various interesting facts are disclosed in the May 1 report of condition of the 12 Federal land banks by the Farm Loan Board. This date is practically the conclusion of the second year of the operation of the Federal Farm Loan System, the first loans having been made in April, 1917.

The report shows that nearly 3,800 farm loan associations have been organized, and that over 84,000 loans have been closed, amounting to over \$212,000,000. The greatest amount—over \$30,000,000—has been loaned in the Spokane district. The Omaha district is second with over \$29,000,000, the St. Paul district third with over \$28,000,000, and the Houston district fourth with over \$22,000,000. By States, Texas leads with \$22,531,551. Iowa is second with \$14,385,450, North Dakota third with \$14,086,800, and Kansas fourth with \$9,007,800. The average loan for the whole system is \$2,520. The amount loaned in the last 12 months was \$120,238,245, which is about 15 per cent of the estimated annual farm loan business of the country.

With a growing volume of business on their books, the operations of the banks have proved increasingly profitable. One year ago their combined organization and current expenses showed an excess of \$411,954 over earnings. Six months ago this deficit had been reduced to \$211,609. The present statement shows a surplus of \$420,361, of which \$35,000 has been credited to reserve account, \$63,748 distributed in dividends by the Spokane and Houston banks, and \$321,613 is still carried as undivided profits. It would therefore appear that their net earnings were \$200,345 in the first half of the last year and \$631,970 in the last half. Their capital has grown from \$9,000,000 to \$19,483,360. By the end of May the banks had returned \$626,320 of the \$8,891,270 originally subscribed by the Government to their capital stock.

Buy a Federal Farm Loan Bond.

ASSOCIATIONS HAPPY
OVER DIVIDENDS.

Some in the twelfth district are investing surplus funds in Federal farm loan bonds — All working for more business.

The April-May issue of the BULLETIN informed our readers that the Houston and Spokane land banks had paid 6 per cent per annum dividends on the capital stock of their national farm loan associations. Since then the Omaha bank has declared dividends, and the St. Paul bank expects to do so on August 1.

Judge Lindsey, secretary of the Federal land bank of Houston, told our BULLETIN readers what this payment of dividends means to the system from the viewpoint of the land bank. In this issue we give you some excerpts from the letters of borrowers sent us by the Federal land bank of Spokane which will show what this payment of dividends means as viewed by the farmers.

In a general way the effect of the payment of dividends has been beneficial from every angle. It has removed as a topic for discussion the question as to whether or not the Federal land banks can be operated economically and meet their expenses on a small margin. It has also disposed of the notion that the stock subscription of the borrower was practically a charge against him which he might never expect to be returned to him.

A letter from the Spokane bank on the subject states: "In this matter, as well as in all others having to do with accomplishment, with satisfied borrowers, and with the collection of amortization installments, the associations that are the best officered are the ones who were most enthusiastic in expressing their gratification that the land bank could pay them dividends under the conditions."

The quotations given herein from letters received by that bank are interesting as disclosing how this important event in cooperative rural finance in America is influencing those communities, as well as individuals. Here is what they say:

"At a special meeting to decide what was to be done with the dividend—any idea of a dividend having been scoffed at by the wise ones—a vote of thanks was extended to the president of the Federal land bank of Spokane and his able assistants who have made possible the dividend and the prosperity of the association. It was voted to purchase Federal farm loan bonds with our surplus funds. The winter wheat and rye are looking fine here. Thanking you for your courteous endeavors to help the farmer.

"H. A. LONGSTAFFE,
"Sec. Treas. Bascom (Mont.)
N. F. L. A."

"I acknowledge receipt of dividend check of \$56.58. This being the first dividend received by our association, and as our amortization installments are being paid promptly our directors decided, after putting 10 per cent in the reserve account, to distribute the balance to our stockholders, trusting that it will create more interest and stimulate a desire on the part of individual members to work for and uphold the interests of the association and the system generally. I wish to

convey to you our sincere thanks and the assurance of the confidence we feel for the creditable and admirable way you have conducted the business of the Spokane bank. We assure you of our co-operation and support and thank you for your kind advice which has enabled and will enable us more successfully to conduct our business.

"FOREST O'DAY,
"Sec. Treas. Arlington (Wash.)
N. F. L. A."

"Your check covering 6 per cent dividends up to December 31 received. We congratulate the bank on the splendid showing it has made in the face of great difficulties and organizing expenses during this period. These figures make the best advertising material which an association can use. We wish herein to express the appreciation of the stockholders of this association.

"S. A. DICKEY,
"Sec. Treas. Buhl (Idaho)
N. F. L. A."

"Your draft for \$43.21 as first dividend received. Please accept my hearty congratulations on the issuance of this dividend and my best wishes for the continued success of the Spokane land bank. The subject of dividend has been a matter of considerable discussion among farmers, and there is no doubt it will strengthen the position of farm loan associations in this district.

"FRANK E. UPTON,
"Sec. Treas. Central Point
(Oreg.) N. F. L. A."

"With pleasure we acknowledge receipt of your check for \$479.28, being balance to our credit of total sum of \$509.17 of the dividends declared in favor of 86 of our members. The writer takes pleasure in saying that our board of directors have passed a resolution ordering the total amount received placed to reserve account, as undivided profits, and have further instructed that it be invested in farm loan bonds, providing that we can make a suitable arrangement with you whereby we may draw upon them in case of necessity, or have the privilege of placing said bonds or a part of same with you as collateral security for a short loan sufficient to meet the obligations of our members as they become indebted to you for amortization payments. We have no debts, which fact has placed us in a position at this time whereby we are able to reinvest the dividends.

"Our directors have instructed the writer to express to the officers of the Federal land bank of Spokane their congratulations and appreciation for the work they have done, and to assure them of their cooperation. The writer also wishes to be included in the aforesaid felicitations. We sincerely trust that you will find a reward for your efforts (the reward not measured by coin) in the simple expression of faith we extend, coming as it does from those who have labored in the past with short-term loans and excessive interest.

"E. J. O'CONNELL,
"Sec. Treas. Clarke County (Wash.)
N. F. L. A."

"Many thanks for dividend received. Wish you could be at our board meeting next Saturday to see the smiles for the good work done in the past two years. I

wish I could show you the hearts of our many satisfied members that are delivered from the old-time short loans at 10 per cent.

"E. W. BROWN,
"Sec. Treas. Emmett (Idaho)
N. F. L. A."

"I am in receipt of your draft for \$162.32 as our dividend check. I think your bank is to be congratulated upon the efficient manner in which it is operated. It has certainly been a help to the farmers of the Northwest. We will soon send you a number of applications for loans; the roads have made it quite difficult to appraise land.

"S. C. GROVES,
"Sec. Treas. Enterprise (Mont.)
N. F. L. A."

"From time to time members of our association have asked whether there would be any likelihood of getting a dividend within the next three or four years. I have told them that if they received a dividend at the end of the third year it would be doing remarkably well. I would then explain to them the heavy initial expense in getting started and the very small net income that could be realized the first year or two.

"I read in THE BORROWERS' BULLETIN that two or three of the banks might pay a dividend for 1918, but did not take it seriously. I was, therefore, greatly surprised upon receiving your letter inclosing dividend check for \$708.09. Great credit is due the officers of the bank and particularly to you, its president, for the remarkable showing which you have made. I wish to extend to you on my own behalf and also of the board of directors our hearty congratulations.

"At the regular monthly meeting it was ordered that 10 per cent of this dividend be carried to reserve account and the balance carried to undivided profits account, the entire amount to be invested in farm loan bonds. We have a small working fund outside of this money and should we at any time need additional funds we could give the bonds to the bank as collateral."

"I. D. ROGNLIEN,
"Sec. Treas. Kalispell (Mont.)
N. F. L. A."

"We were agreeably surprised to receive check for the first dividend. You have indeed done well and have the deep satisfaction of knowing that you have confounded your critics. 'Carry on.'

"WILLIAM MOSCRIP,
"Sec. Treas. Priest River (Idaho)
N. F. L. A."

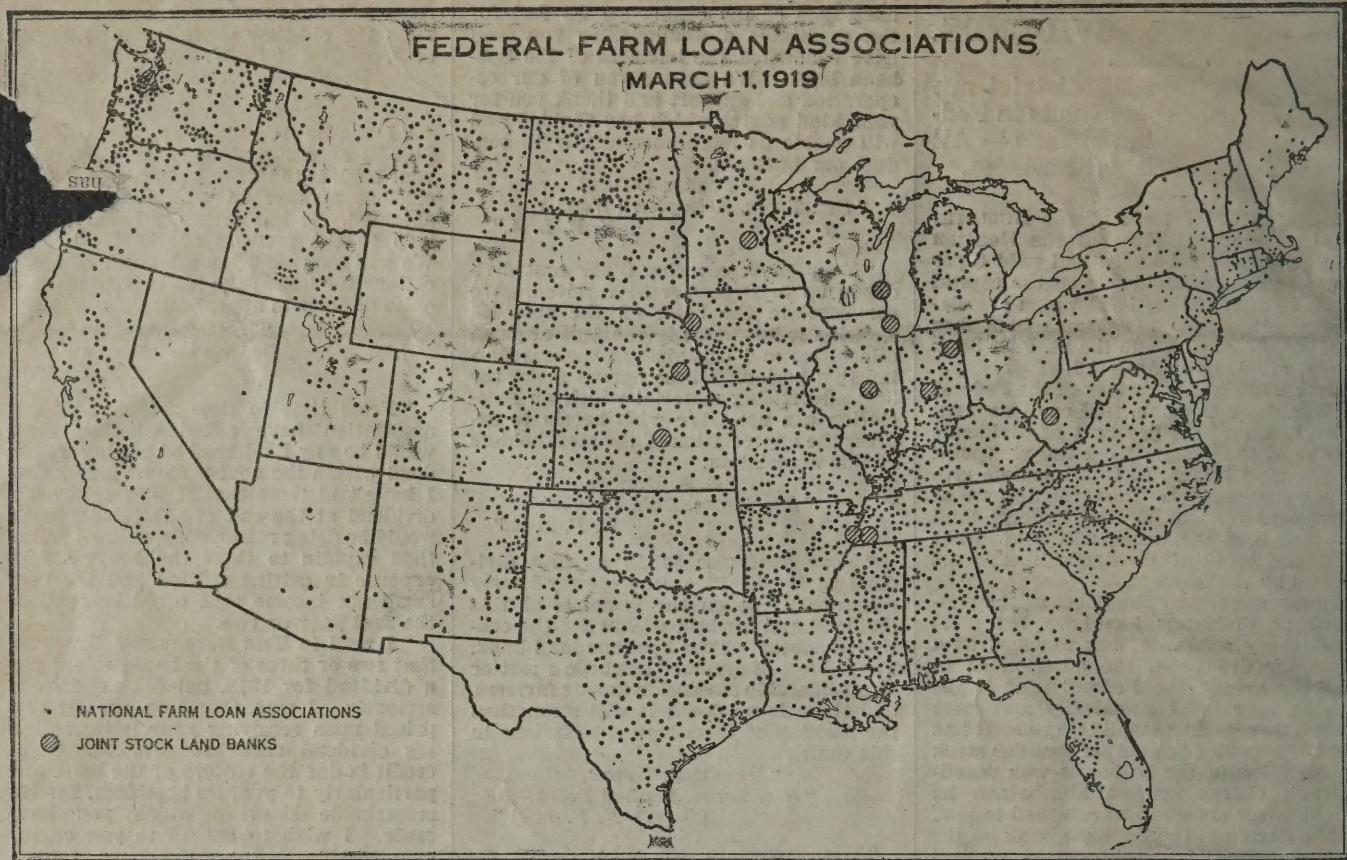
"Your draft for dividends received, many thanks for same. The board of directors are much pleased with the remittance, as it was much greater than their expectations, and wish to congratulate you on the wonderful showing you have made.

"Wm. MERO,
"Sec. Treas. Snohomish
Valley (Wash.) N. F. L. A."

"I am in receipt of your statement of dividend earnings and check for \$194.78. This is a very gratifying showing and effectually disposes of the arguments made by some farm-loan people that, 'The Federal land bank holds out 5 per cent on the borrower that is not of any use to him until loan is paid off.'

"W. F. HOMAN,
"Sec. Treas. Ontario (Oreg.) N. F. L. A."

FEDERAL FARM LOAN ASSOCIATIONS
MARCH 1, 1919



PHOTOGRAPH FURNISHED BY OFFICE OF FARM MANAGEMENT, U. S. DEPARTMENT OF AGRICULTURE.

In the office of the secretary of the Farm Loan Board hangs a map of the United States. When a national farm loan association is chartered a black pin is placed on the location. On March 1, 1919, the day this map was photographed, there were associations marked as existing, exclusive of canceled and consolidated associations, to the number of 3,529. Each black spot represents an association of borrowers with no fewer than 10 members, and some have over 100 members. On June 5, three months after this map was made, there were 3,708 associations chartered under the Farm Loan Act, and they are constantly increasing in number.

NEW FARMS FROM OLD SUGAR PLANTATIONS.

Two large estates cut up into several farm units, in the fifth district—How it was done.

Manless land—some 1,700 acres of it—and landless men—17 of them—have recently become business partners, in the State of Louisiana. Two old sugar plantations that had been unproductive property will now become a source of revenue to the community instead of a burden in taxes and interest to the owners. Seventeen families are now farm owners on a stretch of land formerly tilled by tenants.

This project was perfected by two officers of the Jeanerette National Farm Loan Association, J. C. Clausen and I. S. Wooster, who because of their farming and banking experiences were able to make successful this progressive endeavor in permanent agricultural development. As a result \$41,775 in checks were sent to the association to be paid to the former owners, thus establishing 17 farmers on their own farms.

As these 17 farmers did not have the money with which to buy any of this land, and, also, as the Federal land-banks take loans only upon first mortgages, it was necessary for some arrangement to

be made for the payment of the amount loaned by the bank. The association arranged to finance the unpaid balances by second mortgages to be given by the 17 owners on terms of seven annual payments at 6 per cent interest per year. They are in actual possession of the property although not a cent of their own money has yet been paid.

Second mortgages on farms on which the Federal Land Bank of New Orleans holds the first mortgage are considered good security and are readily accepted as such by the former owner.

The site chosen for this little colony of native farmers by the Jeanerette Association lies on the banks of Bayou Sale. The soil is fertile, surface level, with ample drainage. A railroad runs parallel to Bayou Sale on the east bank and a modern gravel road is being constructed on the west bank. Telephone facilities have been established, a schoolhouse improvised, and a church is being provided for the 27 families living on and working the properties, 10 families being hired laborers.

The appraiser's report shows that the farmers will be amply equipped to begin work. The improvements consist of 20 substantial dwellings, 16 cabins, 18 barns, with stables for live stock and shed space for the implements, 4 garages, and 1 grocery store. The live stock consists of 60 mules, 26 horses, 19 head of cattle, 1,285 chickens, and 40 hogs. They have 2,200 barrels of corn and 44 tons of hay,

and own implements valued at \$3,375. Fire insurance protection amounting to \$13,500 rests upon the improvements.

The 17 farms will be planted in the following crops this year: 55 acres in cane, 319 acres in cotton, 992 acres in corn, 38 acres in truck, and 240 acres will be used for pasture and woodland.

There is a sugar mill with a 500-ton crushing capacity in the middle of the colony. It is owned by a company consisting of the 17 farmers, and is to be paid for out of the proceeds to result from its operation. This arrangement is a special one, and in order to successfully carry out their method of paying for the mill, as well as insure a permanent market for any cane that may be grown on the property, one of the 17 farmers, who is an expert factory man, has been employed to operate the mill during the grinding season. The ownership and operation of the mill is a separate and distinct matter. The mortgages taken by the bank do not cover the sugar mill nor the land upon which it is located.

Thus, by aid made possible through the Farm Loan Act and the enterprise of a group of citizens, the biggest and most harmful economic evil of our day—manless land and landless men—has been eliminated in one small community. It is possible for this same good work to be done in every State in the Union. The Farm Loan Act will do its part, but it must have the cooperation of men who have vision but are not visionary.